



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

### **SECURITY AND ECONOMIC DIMENSIONS OF THE TRANSATLANTIC PARTNERSHIP**

by

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June 2005

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**SECURITY AND ECONOMIC DIMENSIONS OF THE  
TRANSATLANTIC PARTNERSHIP**

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## **ABSTRACT**

The transatlantic relations have been on a bumpy ride in recent years with disagreements over issues ranging from the Iraq war to the Kyoto Treaty, the arms embargo on China, and the International Criminal Court. Polemics on “hard” versus “soft” security solutions and “power versus burden sharing” oppose the U.S. option for unilateral action to EU’s multilateral cooperation approach.

The parallel enlargement processes in NATO and the EU had a profound impact on one another, given that they both reach the heart of some fundamental questions, ranging from trade liberalization and globalization to the nature of security in 21<sup>st</sup> century Europe. In the new political-economic architecture of Europe, complementarily dimensions of security and economy objectives gave way to new tensions between the two shores of the Atlantic.

These matters, however, are only a small part of an otherwise well functioning partnership. The optimal solution is to reach a compromise between the talk of preeminence and unilateralism by the U.S. and the greater willingness by the EU to step up and share the burden.

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## I. INTRODUCTION

I need not tell you that the world situation is very serious. That must be apparent to all intelligent people. I think one difficulty is that the problem is one of such enormous complexity that the very mass of facts presented to the public by press and radio make it exceedingly difficult for the man in the street to reach a clear appraisal of the situation.<sup>1</sup>

### A. BACKGROUND

The issues concerning European unity, power and burden-sharing, and the underpinning issues of an American security guarantee to European states, have, to a large extent, plagued the United States (U.S.)-European relationship, at least since World War II and throughout the entire Cold War era. As the U.S. has historically acted in its own domestic, regional and global interests, U.S. willingness to act in concert with European interests has not always been guaranteed.

The transatlantic partnership and particularly the relation between the North Atlantic Treaty Organization (NATO) and European Union (EU) in the actual context of enlargement are characterized by at least three major aspects:

- *Extension of the security umbrella*, primarily a NATO issue, which is reinforced and sustained by the depth of the European commitment.
- *Participation in the economic community*, through free trade and globalization.
- *Political commitment*, towards healing the drift, overcoming disagreements and finding common ground.

This thesis looks at the first two aspects: the economic and the security dimensions of the transatlantic partnership on the background of the NATO-EU enlargement processes. The two dimensions are interrelated and require policies that reinforce each other.

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<sup>1</sup> Address of Secretary of State George C. Marshall at Harvard University, June 1947.

For the past years, NATO and the EU have been expanding their memberships in the Euro-Atlantic region in a largely uncoordinated fashion. On the one hand, NATO has overlooked some of the potential geopolitical and political-economic considerations. On the other, the EU has had the tendency to expand without thorough consideration of the geopolitical and military repercussions. Consequently, the transatlantic tensions mounted and the Allies have begun to engage in a number of political-military disputes over the appropriate nature of defense capabilities and the potential duplication of military assets.

The fall of the Berlin Wall has created a uni-polar world. At the heart of the security and defense question is the distribution of “political influence” versus “burden-sharing” within the two key institutions, NATO and EU, or in general between the U.S. and its allies.

In essence, the Europeans have demanded a greater share in political-military decision-making within the U.S. dominated North Atlantic Alliance. The Americans have, in response, insisted that the Europeans increase their defense spending and share more of the military burden and responsibility, yet have been reluctant to actually share power. Concurrently, Washington has augmented its military capabilities to the point where the U.S. has already proven during the Iraq war that it is an “ultra-power” quite capable of acting unilaterally, with or without the consent of its Allies.

For Europeans, the concern was that the nature of new threats plus the war on terrorism have tended to draw American attention away from the Euro-Atlantic region, despite the fact that problems in the Balkans have not been entirely resolved and, most crucially, that new tensions and conflicts may arise as NATO and the EU continue their largely uncoordinated enlargement. This gave Europeans an additional incentive to develop their own defense capabilities under the European Security and Defence Policy (ESDP), in order to be able to undertake military action at a global scale in cases where NATO as a whole is not involved.

At a minimum, the global range and nature of these new threats and potential conflicts could result in the overextension of both American and European military capabilities. At worst, it could lead to even more fundamental disagreements, if not to a gradual alienation of the transatlantic partnership. That might be the risk if an expanding EU cannot soon take on greater responsibility for its own defense in close coordination with the U.S. on the basis of a rough political-economic and military parity.

As opposed to high military spending in the U.S., European prospects for significant increases in military budgets are slim (except in France and the UK). Other solutions, national and multinational, to the problem of capacity shortfalls and ways to use existing resources better, are therefore being considered and pursued. One prominent idea strongly supported by France, Germany and the UK was that of creating the European Defence Agency (EDA), an intergovernmental defense capability development body aimed at closing the capabilities gap by sustaining the development of Common Foreign and Security Policy (CFSP), and eventually leading to a common procurement program. This made it easier to gradually depart from the long-standing EU ban on using EU financial resources for defense purposes.

Today's security environment, characterized by new threats emerging from the proliferation of weapons of mass destruction (WMD), international terrorism and rogue states, presented NATO longstanding members with challenges for which they were somewhat unprepared. Moreover, the enlargement process has extended NATO commitments and augmented its transformation challenges. Integration of the new members after the two rounds of enlargement proved to be a greater challenge than initially estimated.

Likewise, the development of ESDP is facing other types of challenges along its enlargement process such as: divergent perspectives amongst the core EU states (France, Britain and Germany), as how to deal with Turkey, Russia

and Ukraine as potential full membership aspirants, shrinking defense budgets, and last but not least, the growing concern over the consequences of the Europe's aging population.

## **B. PURPOSE**

This thesis looks at the evolution of the transatlantic relations with particular focus on relations between NATO and EU's ESDP. It emphasizes the linkage between the economic, security and stability dimensions, assesses the risks of the parallel NATO-EU uncoordinated enlargement and attempts to draw useful insights for the defense representatives and policymakers.

This research aims at identifying effective ways to help improve the transatlantic relations. Moreover, the thesis addresses both sides of the coin: one side is related with the ability of NATO and EU to cope together and coordinate their enlargement on the basis of sharing common values and strong economic ties; the flip side links with the strategies and reforms pursued by the new members and aspirants to ensure their smooth and successful integration in both organizations.

## **C. SCOPE**

This thesis presents an overview of the military and economic challenges imposed by the parallel enlargement process, offering valuable insights for the defense officials and policymakers within NATO and the EU. At the same time, the findings of this research will provide Romanian decision-makers with an analysis and decision support tool that will help them choose the best strategies to smoothen and boost integration efforts in both NATO and the EU.

Romania is fully engaged in this transformation process of becoming not only a consumer but also an active security and stability provider in the region.

Nevertheless, other new NATO members and EU membership aspirants may find some of the findings and policy recommendations formulated in this study useful and applicable.

#### **D. METHODOLOGY**

This thesis will develop an analysis of the transatlantic relations on the background of the NATO-EU double enlargement process. It will attempt to identify the sources of transatlantic tensions and difficulties posed by the enlargement and integration processes, and suggest solutions to mitigate risks.

The analysis is based on an in-depth literature review using a variety of sources. Primary sources include NATO and EU publications, directives, regulations, plans, and news reports. Secondary sources include newsletters, periodicals, professional journals, scholarly books, essays and research papers related with NATO and EU enlargement.

#### **E. ORGANIZATION**

The thesis is organized into five chapters as follows:

Chapter I introduces the topic, scope and methodology of the research. Chapter II defines the concept of security and discusses the interrelationships within the triad economics-security-stability. Chapter III presents the U.S.-EU relations today, with emphasis on the shared values but different approaches to security and the economic implications. Chapter IV analyzes the developments in the relation between NATO and ESDP today from the perspectives of collaboration versus competition, and power versus burden sharing. It also makes an assessment of the risks of the NATO-EU double uncoordinated enlargement. Chapter V summarizes the findings of the research, drawing conclusions and, wherever possible, making policy recommendations.

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## **II. THE TRIAD ECONOMICS – STABILITY – SECURITY**

### **A. OVERVIEW**

This chapter explores the interrelations in the triad economics-stability-security, which is by no means a simple topic. This chapter helps to explain the author's choice to address both economic and security dimensions of the transatlantic partnership in the context of the NATO-EU “double enlargement.” The purpose is to provide insights of the institutional framework and the challenges posed by the new international development in the post Cold War era.

The author's perspective on the economics-stability-security triad is that without stability economies stagnate or become dysfunctional. By the same token, without a functioning and developing economy, security is threatened, and furthermore, without security, neither stability nor a functioning economy can be guaranteed. In other words, with respect to the transatlantic partnership, the security dimension will provide practical forms of cooperation with the Allies, while the economic dimension may supply avenues of entry into the EU. Last but not least, the stability dimension will be the liaison element and the guarantee of equilibrium.

Economic factors, power and security have always been a central theme in security studies. The relationship between economics and security is pretty straightforward: economic capacity being one basis for military power. At a more practical level, the place of the defense sector in national budgets and the opportunity cost of defense, which imposes sacrifices in other elements of public expenditure, adds a substantial economic dimension to security and defense policy.

A further dimension to the relationship between economics and security was added by the growing size of transnational flows of goods and services and the rising levels of interdependence and collaboration between countries. In this respect, globalization is one factor contributing to processes of regional

economic integration. The European experience has demonstrated that such economic integration may in turn have stabilizing effects on regional security.

The end of the cold war has changed the world distribution of power and reiterated the need for an enhanced transatlantic partnership. For the Europeans, the new strategic problem had two critical elements. First, recasting the position of a new Germany in a new Europe and, second, stabilizing Europe's Eastern borders. The dissolution of the Soviet Union left a set of countries on the eastern flank of West Europe that presents a new set of problems.<sup>2</sup> Some of them are not yet stable democracies or entrenched market economies, and they do not have clearly defined security relationships. Both these tasks produced over the last two decades new tensions between security and economic purposes. The available set of tools is principally European, but as already acknowledged, in the long run it is in America's interest to contribute and ease these tensions.

America supports a strong Europe because we need a strong partner in the hard work of advancing freedom in the world.<sup>3</sup>

The primary route through which the U.S. contributes to European security is NATO. The institutional framework and the European Security triangle are further discussed in this chapter.

## **B. THE CONCEPT OF SECURITY**

The notion of security of a state is frequently used, despite that its users only rarely define it. As this thesis deals with important and sensitive issues for

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<sup>2</sup> Steven Weber & John Zysman, "Why the Changed Relation between Security and Economy will Alter the Character of the Europe Union", available online at: <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1052&context=brie>. Accessed 25 March 2005.

<sup>3</sup> President Bush speech in Brussels, Belgium, 22 February 2005. Available online at: <http://www.whitehouse.gov/news/releases/2005/02/20050221.html>. Accessed 27 March 2005.



the U.S. and EU, the need to define this concept appears evident. The first step in defining security is to address its two key elements: the concepts of state and threat<sup>4</sup> to national security.

Weber's traditional definition of state required as a necessary condition the "effective monopoly on the use or licensing of violence within a given territory."<sup>5</sup> Consequently, the security of states is threatened by any change that might endanger that monopoly of violence, whether through external invasion or internal rebellion. Ullman defines a threat to national security as something that either "(1) threatens drastically to degrade the quality of life for the inhabitants of a state, or (2) threatens significantly to narrow the range of policy choices available."<sup>6</sup>

### **1. Definitions of Security**

The definition of security of a state found in international relations dictionaries usually covers two aspects: a state's lack of threat and the effectiveness of its guaranteed protection against threats. The key problem in defining security is that it is an inherently fuzzy and highly contextual concept. Security is often assessed "by comparison with other related concepts such as: safety, continuity, reliability, stability."<sup>7</sup>

The theoretical difficulty with limiting the concept of security to the use of physical violence is that most if not "all economic and political relations are characterized by force, whether threatened or actually employed."<sup>8</sup> In this respect, an eloquent example is the American approach of "diplomacy backed by

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<sup>4</sup> This notion has several dimensions, starting with psychological, then becoming real or potential, and finally indicating a subjective or objective element of the threat.

<sup>5</sup> Max Weber, "Politics as a Vocation", available online at: <http://www2.pfeiffer.edu/~Iridener/DSS/Weber/polvoc.html>. Accessed 21 March 2005.

<sup>6</sup> Richard Ullman, "Redefining Security," *International Security* Vol. 8, No. 1, Summer 1983.

<sup>7</sup> Katarzyna Zukrowska, "The Link between Systemic Transformation and Security; General Assessments of Regional Cooperation in South Eastern Europe", available online at: <http://www.nato.int/docu/colloq/2001/2001-12e.pdf>. Accessed 17 March 2005.

<sup>8</sup> Stephen Sachs, "The Changing Definition of Security", *Merton College*, Oxford, 2003, available online at: [http://www.stevesachs.com/papers/paper\\_security.html](http://www.stevesachs.com/papers/paper_security.html). Accessed 17 February 2005.

force”<sup>9</sup>, materialized in a wide spectrum ranging from economic sanctions<sup>10</sup> and embargos to military interventions and preemptive actions.<sup>11</sup>

Ayoob formulates a comprehensive definition of security, which is a significant deviation from the traditional realist analysis of military threats. In his approach, security is defined “in relation to vulnerabilities, both internal and external, which threaten or have the potential to bring down or significantly weaken state structures, both territorial and institutional, and regimes.”<sup>12</sup>

The definition of security that currently is initiating the greatest debate within the Security Studies community is Stephen Walt's traditionalist perspective<sup>13</sup>. He articulates a position that is state-centric and restricts the application of security to threats in the military realm. Walt equates security with peace and the prevention of conflict through military means (deterrence policies, non-offensive defense and the like).

Conceptualizing security today is not as straightforward as it was during the Cold War. Thus, several scholars within the Security Studies community have advocated “redefining the very concept of security itself.”<sup>14</sup> While traditionalists

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<sup>9</sup> Ambassador Vershbow, “Speech on NATO-European Union Defense Cooperation”, Waterloo, Belgium, October 2000.

<sup>10</sup> William Wallace & Jan Zielonka, “Misunderstanding Europe”, Foreign Affairs, New York, November/December 1998, available online at: <http://www.foreignaffairs.org/19981101faessay1433/william-wallace-jan-zielonka/misunderstanding-europe.html>. Accessed 23 December 2004. Authors maintain, “Two thirds of the world's population is now covered by some form of U.S. sanctions”.

<sup>11</sup> President G. W. Bush, “State of the Union Address”, January 2002, available at <http://www.whitehouse.gov/news/releases/2002/01/2002012911.html>. Accessed 7 November 2004. President Bush has officially introduced a new doctrine concerning the ever-changing security environment. Emphasizing the possibility of a linkage between rogue states, weapons of mass destruction and terrorist groups, President Bush maintained, “preemptive action by the U.S. against rogue state proliferators as well as terrorist groups is justified”.

<sup>12</sup> Mohammed Ayoob, “The Security Problematic of the Third World,” *World Politics* 43:2, January 1991.

<sup>13</sup> Stephen Walt, “The Renaissance of Security Studies”. *Mershon International Studies Review* 41: 211-39, 1991.

<sup>14</sup> Sarah Terry, “Defining Security: Normative Assumptions and Methodological Shortcomings”, *Conference of Defense Associations Institute*, November 1998.

favor the maintenance of the Cold War conception of security (defined in military and state-centric terms), the non-traditionalists have attempted to broaden and deepen the definition.

Among the non-traditionalists, there is a further division between two sub-groups: the so-called “wideners” and “deepeners.”<sup>15</sup> The wideners argue that a predominantly military definition does not acknowledge that the greatest threats to state survival may not be military, but environmental, social and economic. On the other hand, the deepeners ask the question of “whose security is being threatened?”<sup>16</sup>, and support a definition focused on the individual or system, rather than isolating the state.

In the context of international relations, security means that “the needs and interests of the participants on the international stage are sufficiently covered, while the consequences affect not only interested groups but also the whole international system.”<sup>17</sup> Therefore the division between international and national security appears to be rather artificial. In fact, the security of states in international relations always has a national dimension as well. Probably, the best example in this is the willingness of the EU members to pool their sovereignty in order to gain economic power and world influence.

## **2. Hard vs. Soft Dimensions of Security**

Since the experience of the two World Wars, the nature of conflict has changed dramatically. Historical experience shows that after 1945 many of the most significant threats to state security have been internal rather than external.

In the past, the security model was mainly based on a “hard”(military) security dimension, while “soft” (non-military) dimensions played a secondary role in the system. In the aftermath of the Cold War, “the roles of both hard and

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<sup>15</sup> Sarah Terry, “Defining Security: Normative Assumptions and Methodological Shortcomings”, *Conference of Defense Associations Institute*, November 1998.

<sup>16</sup> Ibid.

<sup>17</sup> Katarzyna Zukrowska “Link between economics, stability and security in a transforming economy”, NATO Economics Colloquium, Brussels, November 1999.

soft dimensions have changed.”<sup>18</sup> The hard dimension of security has not disappeared totally, but the soft dimensions “are now taking the lead”.<sup>19</sup> The shift is happening on both national and international levels as well.

For the past two decades, there has been a fundamental re-thinking of the very framework of state security. As Holsti notes, "security between states in many areas (the Third World, the former Soviet Union, etc.), has become increasingly dependent on security within those states.”<sup>20</sup> Cross-border war has become a primarily "small-or medium-power activity.”<sup>21</sup> Thus policymakers in the U.S. and Europe have turned their attention on other types of conflicts.<sup>22</sup>

Moreover, lack of an external threat is often regarded as a destabilizing<sup>23</sup> factor by leaving room for internal confrontations.<sup>24</sup> This is particularly true in most post-communist states, mainly those that were multinational, incorporated minorities, or faced religion or cultural conflicts. The remedy for this was found in a quick departure from the old system and setting the economy on the path of accelerated growth.

The shift in the nature of conflict has also forced states to consider new strategies of protecting their monopoly on violence. One relevant example is the longstanding effort to prevent the proliferation of conventional and unconventional weapons. States have few resources to defend against the

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<sup>18</sup> Jessica Tuchman Mathews, "Redefining Security," *Foreign Affairs* 68, No. 2, Spring 1989.

<sup>19</sup> Katarzyna Zukrowska, "The Link between Systemic Transformation and Security; General Assessments of Regional Cooperation in South Eastern Europe", available online at: <http://www.nato.int/docu/collog/2001/2001-12e.pdf>. Accessed 17 March 2005.

<sup>20</sup> Kalevi Holsti, "The State, War, and the State of War", *Cambridge University Press*, 1996.

<sup>21</sup> Center for Conflict Studies, *The Journal of Conflict Studies*, available online at: <http://www.lib.unb.ca/Texts/JCS/bin/get4.cgi?directory=spring99/&filename=rickard.htm>. Accessed 7 December 2004.

<sup>22</sup> Ibid.

<sup>23</sup> Michael Desch, "Civilian Control of the Military: The Changing Security Environment", Baltimore: *Johns Hopkins University Press*, 1999.

<sup>24</sup> Pauline Baker & Angeli Weller, "An Analytical Model of Internal conflict and State Collapse", Washington D.C., The Fund for Peace, 1998. Unlike earlier theorists of internal conflict, who viewed state collapse as a result of internal conflict, Pauline Baker argues that state collapse often leads to internal conflict".

catastrophic delivery of weapons of mass destruction (WMD) "such as via small airplanes, ballistic missiles, or advanced "reconnaissance strikes."<sup>25</sup> Moreover, the growing reach and sophistication of international terrorism poses a further threat that cannot easily be countered by traditional military organizations. Thus, states "are turning to cooperative security approaches"<sup>26</sup> in order to achieve their security goals.

The nature of new conflicts required defense planners to look beyond traditional aspects like "material capabilities and the use and control of military force by states."<sup>27</sup> Instead, states must look for solutions to problems such as "environmental pollution, depletion of the ozone layer, global warming, and massive migrations of unwanted refugees."<sup>28</sup> These issues may only infrequently become the direct cause of conflict (as in the case of wars over scarce resources, such as water or oil), but could easily produce conflicts through the "mechanisms of economic decline and political instability."<sup>29</sup>

In the contemporary world, with its stocks of missiles and WMD as well as new asymmetric threats such as famine, drugs, natural disasters, international crime and terrorism, "a country cannot be secure by building-up its military potential on its own."<sup>30</sup> Consequently, the old concept of self-defense becomes not only obsolete but also practically impossible to be achieved. The alternative strategy is to build strong international institutions and join coalitions. This is one

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<sup>25</sup> Janne E Nolan, John D. Steinbruner, Kenneth Flamm, Steven E. Miller, David Mussington, William J. Perry, and Ashton B. Carter. "The Imperatives for Cooperation." *In Global Engagement: Cooperation and Security in the 21st Century*, Janne E. Nolan ed., Washington, DC: The Brookings Institution, 1994.

<sup>26</sup> Ibid.

<sup>27</sup> Peter Katzenstein, "Introduction," *The Culture of National Security*, Katzenstein ed., 1996.

<sup>28</sup> Center for Conflict Studies, *The Journal of Conflict Studies*, available online at: <http://www.lib.unb.ca/Texts/JCS/bin/get4.cgi?directory=spring99/&filename=rickard.htm>. Accessed 7 December 2004.

<sup>29</sup> Alexander Bevin, "The Future of Warfare", New York: W.W. Norton & Co. Inc., 1995.

<sup>30</sup> Katarzyna Zukrowska, "The Link between Systemic Transformation and Security; General Assessments of Regional Cooperation in South Eastern Europe", available online at: <http://www.nato.int/docu/colloq/2001/2001-12e.pdf>. Accessed 17 March 2005.

of the underlying principles upon which the transatlantic partnership was built, and a strong reason for intensified NATO-EU security cooperation.

### **3. The European Security Triangle**

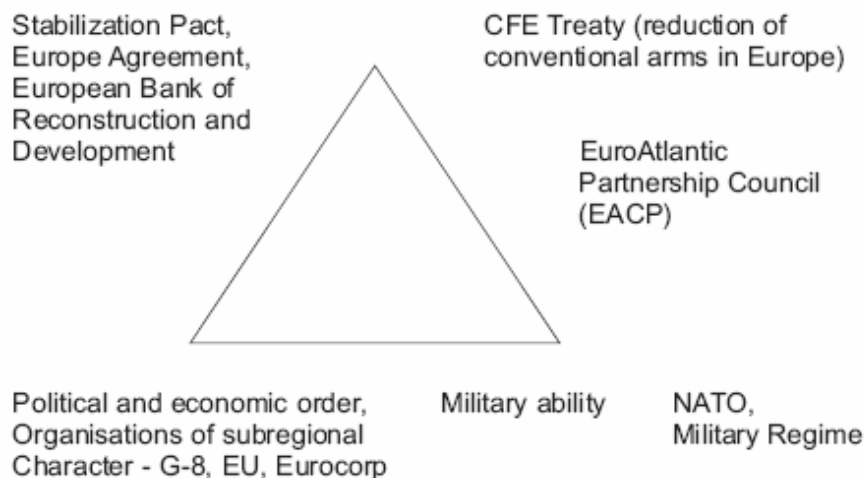
An important element on the European security agenda is the integration with EuroAtlantic structures. This common U.S.-European initiative was set in motion through a set of policies and converging actions<sup>31</sup> aimed at:

- Pooling sovereignty in strengthened organizations and supplying them with new functions and powers;
- Establishing new cooperative institutional solutions that continue to overlap, while other solutions enforce or deepen cooperation (Eurocorp);
- Introducing solutions that enable cooperation among four groups of countries: NATO members, EU members, members of the two organizations and those which are outside those structures;
- Establishing common military forces in Europe.

Weaver's Security triangle presented in Figure 1 suggestively shows how European security is built upon institutional structures, which are supported by some military regimes and organizations as well as by strong interdependencies among states and their economies. The deeper such ties are, the stronger impact they have on stability and security.

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<sup>31</sup> Katarzyna Zukrowska, "Link between economics, stability and security in a transforming economy", *NATO Economics Colloquium*, Brussels November 1999.



**Figure 1. The European Security Triangle<sup>32</sup>.**

There are numerous new solutions that are being built on top of the new emerging security system. These are: the European Security and Defence Identity (ESDI), common military troops, and the cooperative use of NATO's infrastructure by EU and NATO. These new solutions show that the end of the Cold War has strengthened, in many ways, the existing institutions that form the core of the security structure in Europe.

### **C. THE LINK BETWEEN ECONOMY, STABILITY AND SECURITY**

Links between economics, stability and security were defined differently before the Cold War, during it, and now as they are adjusting to new stages in international relations. This difference results from different security models as well as economic ones.

#### **1. Stages of Economy and Security**

The linkages between economics, security and stability should be viewed dynamically. This facilitates understanding the current situation and the interrelations within the triad.

<sup>32</sup> From O. Weaver, "The European Security Triangle", Working papers, No. 12, 1994.

The economic and security models evolved from self-sufficiency and confrontation towards globalization and cooperation. Historically, there can be distinguished three consecutive stages in the evolution of international relations that have influenced the examined triad according to the pattern presented in Table 1.

**Table 1. Parallel between the Security and Economic Models.<sup>33</sup>**

PERIOD	SECURITY MODELS	ECONOMIC MODELS
<b>Before Cold War</b>	<i><b>Multi-polar model</b></i> - based on military component in which economy plays a secondary role. Defense doctrine is constructed upon self-sufficiency of defense, paralleled by self-sufficiency in production. Attempts to create coalitions lead to conflicts, as their construction is based upon temporary common interests, which deprive them of a stable component. Security model as well as model of international relations at this stage is based on the distribution of power.	<i><b>National economy model</b></i> - based on the protection of producers and jobs. Developing mechanisms directly engaging the state in the production sphere. This model supported the use of protection measures in periods of recession, thus making the situation worse. It limited the possibilities of building long-term interests internationally. Its ability to stabilize was limited and incorporated a conflicting component.
<b>During the Cold War</b>	<i><b>Bipolar model</b></i> - shaped after WW2, was in force for over 45 years (1945-1989). It led to an increase of the economic component, which in consequence resulted in priority treatment of economics and, later, the take-over of the role formerly fulfilled by the military factor. Security model	<i><b>Model of slow and gradual departure from protectionist measures</b></i> by the slow and cautious opening of the economy on national, regional and global levels. This model was fostered by the Bretton Woods system (1944) which established the World Bank, IMF and later GATT. On

<sup>33</sup> After Katarzyna Zukrowska, "The Link between Systemic Transformation and Security: General Assessments of Regional Cooperation in South Eastern Europe", available online at: <http://www.nato.int/docu/colloq/2001/2001-12e.pdf>. Accessed 17 March 2005.



	at this stage is based on deterrence.	a regional level, institutions such as the EC, EFTA, OECD and NAFTA were created.
<b>Post Cold War</b>	<b><i>Uni-polar model</i></b> – in place after the dissolution of the USSR and Warsaw Pact. NATO and the U.S. play an active role with support of EU, WEU and CSCE in transition from bipolarity (two pillars: U.S. and USSR) towards uni-polarity specifically, the U.S. hegemony.	<b><i>Liberalized model of the global economy</i></b> in which economies tend to be more interdependent, due to natural and geographic differences, and to relative differences in size, production factors and levels of development. Intensification of competition and liberalization, globalization and policy coordination are characteristic for this model.

In the past, the security model was based on a balanced confrontation between the powers or superpowers and their allies. This was the case both in the multi-polar and bipolar world, before and during the Cold War. Currently, security is based on interdependence and cooperation between states, which is enhanced by globalization, liberalization and established institutional structures.

There is a list of relevant factors that influence the dynamics within the triad economics-stability-security. They cover the following aspects: (1) size of the country, (2) stability of the economy, (3) stability of the political system, (4) relations with neighbors, (5) ability to adjust to changing conditions and their challenges, (6) the problem of national minorities, (7) institutionalization of external relations, and (8) opening up of the economy.

## **2. Economic Power- the Premise for Security**

Economists have long recognized that any economic system may aim at more than one objective. Among them are “growth of consumption, equity, stability, and the preservation of peace.”<sup>34</sup> “Economy” is not an objective itself.

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<sup>34</sup> Katarzyna Zukrowska “Link between economics, stability and security in a transforming economy”, *NATO Economics Colloquium*, Brussels November 1999.

Rather it is the rational pursuit of some combinations of the above-mentioned objectives. In this context, efficiency means achieving maximum current welfare from existing capabilities.<sup>35</sup>

**a. Economic and Security Tradeoffs**

A state can cover the costs of military expenditures when its economy is strong and healthy. The old perspective of the relationship between economics and security is that “it has long been a staple in international relations that economics and security conflict with each other.”<sup>36</sup> In other words, fully satisfying security implies sacrificing at least some aspects of the economy or vice-versa. However, there are strong arguments to suggest that such an approach is no longer relevant.

According to Moller<sup>37</sup>, the economic power of a nation inevitably constitutes a latent threat to its adversaries leading to the tendency of not contributing to the economic development of one’s enemies or opponents. In extreme cases this could lead to a trade embargo. This view was popular in the U.S. throughout the Cold War period, but lately this concept comes in sharp contradiction with liberal views of international trade which assumed that trade has beneficial effects on the propensity for war in the international system.<sup>38</sup>

Developments throughout the world demonstrate more and more that security and stability, both political and social, are multi-dimensional concepts, and that economics is one of the most important drivers. Moreover, there is a direct link between economy and security, which in most cases translates into the reality that “where an economy is more developed, prospects

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<sup>35</sup> Martin Spechler, “Economics and security: comments and a suggested framework”, available online at: <http://www.nato.int/docu/collog/1999/pdf/264-268.pdf>. Accessed 7 March 2005.

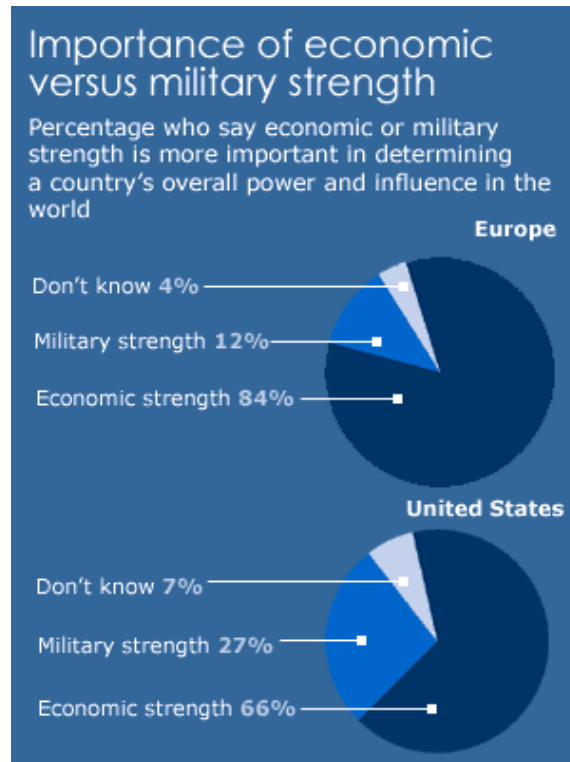
<sup>36</sup> Richard H.Schultz Jr., Roy Gordon & George Quester, “Security Studies for the 21<sup>st</sup> Century”, Brassey’s, Washington, 1998.

<sup>37</sup> B. Moller, “Security concepts”, Working Papers 18, *Centre for Peace and Conflict Research*, Copenhagen, 1993

<sup>38</sup> C. D. Goodwin, “National Security in classical political economy” in *Economics and National Security*, Duke University Press 1991, Annual Supplement to Vol. 23.

for security and stability are much better.”<sup>39</sup> Furthermore, it is equally clear that economic development depends on the policies promoted, be they at the national or international level. Appropriate policies generate a greater feeling of security, which in turn generates increased incentives for economic activities and, as a direct result, more prosperity.

The U.S. and Europe have different approaches in pondering the economics and security tradeoffs. As presented in Figure 2, the public opinion in the U.S. gives an increased importance to military power than in Europe (27 percent in the U.S., vs. only 12 percent in Europe), while in turn Europeans give more importance to economic power (66 percent in the U.S. vs. 84 percent in Europe).



**Figure 2. Importance of Economic vs. Military Strength.<sup>40</sup>**

<sup>39</sup> Lazar Comanescu, “The Link between Economics, Security and Stability: the case of South-Eastern Europe”, available online at: <http://www.nato.int/docu/colloq/1999/pdf/036-042.pdf>. Accessed 12 March 2005.

<sup>40</sup> From Worldviews 2002, “American and European Public Opinion & foreign Policy”, Comparative Report, available online at: <http://www.worldviews.org/detailreports/compreport/index.htm> Accessed 1 April 2005.

### ***b. Developed versus Transforming Economies***

During the last decades, the nature and content of political and economic relations among states and within each society have dramatically changed. Growing economic interdependencies and the globalization of the economy have produced significant transformations in the way countries view their national objectives and interests, and hence the ways and instruments to promote them. This applies for security and stability interests/objectives as well.

In the case of countries with developed economies, despite high rates of unemployment, there is a large well-established middle class that is not eager to be engaged in any clashes that could destabilize the security of the state. This is because a healthy economy is the premise for a comfortable standard of living, which in return does not stimulate tensions, while poverty has just the opposite effect.

Moreover, the countries with strong economies are usually established democracies. Historical evidence has confirmed the democratic peace theory<sup>41</sup>, which maintains that democratic states are unlikely to engage in wars with one another. Hence democracy is another guarantee for economic development and security.

A clear confirmation of the strong link between economics on the one hand and security and stability on the other is provided by the way countries in Central and South-Eastern Europe evolved after the fall of the Berlin Wall. The analysis of the situation in these countries confirms once more “while economic prosperity is strengthening security, the latter is in its turn a prerequisite for long term economic sustainable growth.”<sup>42</sup> Reason is that “without confidence that resources invested today will still be owned and available tomorrow investment will wither, growth will decline and, eventually, as

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<sup>41</sup> Wikipedia, “Democratic peace theory”, available online at: <http://www.answers.com/topic/democratic-peace-theory>. Accessed 12 March 2005.

<sup>42</sup> Katarzyna Zukrowska “Link between economics, stability and security in a transforming economy”, *NATO Economics Colloquium*, Brussels November 1999.

assets depreciate, the economy will collapse.”<sup>43</sup> Thus, security and economics are necessary complements: one cannot exist without the other.

A vicious circle linking political destabilization and macro-stabilization often occurs in transforming economies. Economic instability can be counted as a source of political instability as well as a factor that hampers economic growth.

In the contemporary stage of international relations, the increased role of the economic dimension of security puts the states of Central and Eastern Europe in a particularly difficult situation, rooted in the weak economic potential, inherited by the former communist countries. The potential of those states is limited “as those countries produce only 3.1 percent of the world GDP while this territory is inhabited by 2.3 percent of the world’s population.”<sup>44</sup>

Furthermore, there could be some arguments showing that those countries represented different levels of development and openness at the starting point to the reforms. That is true especially when we compare the Czech Republic, Estonia, Hungary, Slovenia and Poland, the countries most advanced in transformation process, and Bulgaria, Lithuania, Latvia and Romania countries that are following the leaders and countries like Russia, Ukraine, Belarus or Georgia, which clearly lag behind. The latter group is far behind in the institutionalization process, with the result being that the economies of the countries in question are still relatively closed to external relations, and any macro-stabilization attempts fail. This leads to the formulation of incorrect arguments that “macro-stabilization policy is not able to bring the economy in those countries to equilibrium as it did in the case of Poland,”<sup>45</sup> and that this is explained by national specifics. The truth is that the specificity of the national

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<sup>43</sup> Katarzyna Zukrowska “Link between economics, stability and security in a transforming economy”, *NATO Economics Colloquium*, Brussels November 1999.

<sup>44</sup> Robert Barro, “Economic growth in a cross-section of countries”, *The Quarterly Journal of Economics*, 106:2, May 1991.

<sup>45</sup> Ibid.

situation and differences in the intensity of market forces put in motion bring different results to different economies.

**c. State's Role and the Economic Opening**

In contemporary international relations, there is a return to classic economic theories, which in general advocate a “reduction of the state’s role in the economy.”<sup>46</sup> As argued by Amatori<sup>47</sup>, this is one of the major differences between the American and European ways of doing business. While Americans<sup>48</sup> have adopted a “laissez-faire” approach in economy, focusing on shareholders interests with minimal intervention of the state, the European “clubby” economic model emphasizes the interests of stakeholders and is characterized by the presence of the state as a major player in the economy.

The reduction of competition and state intervention are both in contradiction with the current trend of globalization. Moreover, fears that opening of the economy will kill weak and uncompetitive industries are basically wrong.

Economic opening naturally brings some pressure to bear on national producers, but it also increases the supply of goods and the income for those engaged in trade. All this, in turn, stimulates demand, which finally results in greater investment and reduced unemployment.<sup>49</sup> By this same token, the end of the Cold War changed the European-oriented business coalition, committing it to an Americanized market-driven strategy of growth as a means to revive competitiveness and create jobs.<sup>50</sup>

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<sup>46</sup> Michael Todaro & Steven Smith, *Economic Development*, Pearson Ed., 2002

<sup>47</sup> Franco Amatori, “European Business: New Strategies, Old Structures”, available online at: [http://web.nps.navy.mil/~relooney/3040\\_388.pdf](http://web.nps.navy.mil/~relooney/3040_388.pdf). Accessed 11 November 2004.

<sup>48</sup> In a speech “The Press under a Free Government” given in the 1920’s, President Calvin Coolidge maintained, “the chief business of the American people is business”.

<sup>49</sup> Maddison, A. “The World Economy: A Millennium Perspective”, OECD Paris, 2001.

<sup>50</sup> Franco Amatori, “European Business: New Strategies, Old Structures”, available online at: [http://web.nps.navy.mil/~relooney/3040\\_388.pdf](http://web.nps.navy.mil/~relooney/3040_388.pdf). Accessed 11 November 2004.

#### **d. Sustainable Growth and Macro-stabilization**

In trying to catch up, each country has a choice for sustainable growth. Domar's theory<sup>51</sup> argues that the increase in investments should be matched with an increase in GNP, which in turn is matched by the level of savings. National savings can be replaced by foreign savings, which require an opening of the economy for the inflow of foreign direct investment (FDI). However, economic opening on its own is not a sufficient precondition for attracting capital to the economy. Investors search for low risk opportunities. Macro stabilization is crucial in this context.

Another approach would be the cumulative growth of the economy, which is based on Keynesian and post-Keynesian theories.<sup>52</sup> According to these theories, the rate of growth can be accelerated by an increase in the rate of investment in annual terms. Adding FDI investments to national savings can accomplish this.

All theories on FDI indicate that "inflows are attracted to countries with low investment risks, meaning to countries with low inflation and high stability."<sup>53</sup> Naturally, this can not be considered as the only precondition for inflows of FDI, as investors make their decisions taking into account the availability of skilled labour, prospects to achieve costs advantages, market size, etc. In this way, there is a close link between macro-stabilization, development and wealth. In other words, macro-stabilization is a "precondition for growth, which in turn can result in economic and social stabilization and an increased level of state security."<sup>54</sup>

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<sup>51</sup> Evsey Domar, "Essays in the theory of economic growth", *Greenwood Press*, London, 1982.

<sup>52</sup> Fadhel Kaboub, "Long-run Keynesian Growth Theory: Harrod and Domar vs. Solow", available online at: <http://f.students.umkc.edu/fkfc8/HDGrowth.html>. Accessed 21 February 2005.

<sup>53</sup> Eduardo Borensztein, Jose de Gregorio, and Jong-Wha Lee, "How Does Foreign Direct Investment Affect Economic Growth?", IMF Research Department, July 1994.

<sup>54</sup> Stanley Fischer, "The role of macroeconomic factors in growth", *Journal of Monetary Economics* Vol 32, No. 3, December 1993.

### **3. The Need for Competition and Coordination in EU's Economic Policies**

Economic policy competition and coordination have been integral parts of the European integration process since its origins. The need for coordination between national fiscal policies and euro-zone monetary policy arises from the potential costs of uncertainty regarding the direction of the policy-mix at the euro-zone level. Thus, the EU governments have embraced a “culture of coordination.”<sup>55</sup> Coordination takes place along two broad lines: participation in the rule making and commitment to decisions implementation. The economic literature provides two rationales for economic policy coordination.

The first rationale sees coordination as “a means of supplying public goods which decentralized actions are unlikely to produce.”<sup>56</sup> In the European context, the most obvious examples of economic public goods are the preservation of the single market and stability in the financial markets within the euro-zone. In the macro-economic realm, “fiscal discipline also became a sort of European public good” <sup>57</sup> during the transition to the European Monetary Union (EMU).

The second rationale emphasizes that the need for coordination increases with the degree of economic interdependence between countries. Coordination requires member states economic policies to be conceived in a cooperative way, even when the key objectives remain purely national.<sup>58</sup>

#### **a. From the Maastricht Treaty to the Lisbon Process**

European economic policy coordination is explicitly mentioned as a common objective in the Treaty of Maastricht, in effect since 1993. The Treaty established that EU members wishing to qualify for the EMU had to show

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<sup>55</sup> Pierre Jacquet & Jean Pisani-Ferri, “Economic co-ordination in the euro-zone”, *Centre for European Reform*, London 2000.

<sup>56</sup> Ibid.

<sup>57</sup> Pierre Jacquet & Jean Pisani-Ferri, “Economic co-ordination in the euro-zone”, *Centre for European Reform*, London 2000.

<sup>58</sup> Report of the Council on Economic Policy Coordination, endorsed by the European Council in Vienna on 12 Dec. 1998, available online at: <http://www.eurotreaties.com/emureport.html> . Accessed 11 March 2005.



sufficient budget discipline by 1998. Specifically, by that date, the budget deficit and government debt had to be below 3 and 60 percent of GDP, respectively.

EMU is an economic project “driven first and foremost by political goals, not by strict cost calculations of economic benefit.”<sup>59</sup> Nevertheless, there are also solid economic arguments that favor EMU. A single currency provides a more solid foundation for long-term non-inflationary growth to a unified European market by reducing transaction costs and other uncertainties connected to currency fluctuations.<sup>60</sup>

The European Central Bank (ECB) was set up in 1998, under the Treaty on European Union, to introduce and manage the new currency. The ECB is responsible for framing and implementing the EU’s economic and monetary policy, conducting foreign exchange operations and ensuring the smooth operation of payment systems.

The Stability and Growth Pact (SGP) of 1997 was designed to give concrete content to several aspects of the Maastricht Treaty regarding economic policies in the European Monetary Union, but lately, there is growing consensus that the SGP will need some adjustment. The approaches on the necessary changes range from “radical surgery” (practically rewriting the pact) to “don’t touch it.”<sup>61</sup> Most of the criticism is related to the pact’s flaws to treat countries on a differential basis, to account for the economic cycle effects, and to implement a credible mechanism of sanctions.

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<sup>59</sup> Steven Weber & John Zysman, “Why the Changed Relation between Security and Economy will Alter the Character of the Europe Union”, available online at: <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1052&context=brie>. Accessed 25 March 2005.

<sup>60</sup> The Economist, "Europe's Monetary Union", no. 7763, June 13, 1992.

<sup>61</sup> “How should be the Stability and Growth Pact be Reformed?”, Finance and Development, June 2004, available online at: [http://web.nps.navy.mil/~relooney/3041\\_Europe\\_9.pdf](http://web.nps.navy.mil/~relooney/3041_Europe_9.pdf). Accessed 30 November 2004.

The Maastricht Treaty and the Stability and Growth Pact also put in place a system of multilateral surveillance similar to that for the Lisbon process.<sup>62</sup> The European Council of March 2000 in Lisbon set up a series of criteria and policy suggestions to reach “a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater economic cohesion.”<sup>63</sup>

Although some progress was made on innovating Europe's economy, there is growing concern that the reform process is not going fast enough and that the ambitious targets will not be reached. Euro-skeptics consider the 2010 envisioned Lisbon strategy with its targeted knowledge-based society as an “innocuous exercise in Euro-verbosity.”<sup>64</sup>

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<sup>62</sup> European Council, “Presidency Conclusions”, Lisbon, March 2000, available online at: [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/00100-r1.en0.htm](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm). Accessed 3 April 2005.

<sup>63</sup> Alberto Alesina & Roberto Perotti, “The European Union: A Politically Incorrect View”, *Journal of Economic Perspectives*, No 4, Vol. 18, Fall 2004.

<sup>64</sup> Ibid.

### III. THE TRANSATLANTIC PARTNERSHIP TODAY

#### A. OVERVIEW

This chapter discusses the current state of the relation between the U.S. and EU. While not fundamentally called into question on either side of the Atlantic, post Cold War transatlantic ties have become more complex. Developments in the world's geo-strategic situation are accompanied by growing threats. The EU and the U.S. have to confront global challenges such as terrorist threats, menace to security and stability, weapons proliferation, drugs, organized crime and many other important issues.

This new security environment puts the question of transatlantic relations into a new light. In the new political-economic architecture of Europe, complementarily dimensions of security and economy objectives gave way to new tensions between the two shores of the Atlantic.

The transatlantic relations have been on a somewhat bumpy ride in recent years with disagreements over issues ranging from the Iraq war to the Kyoto Treaty, the arms embargo on China, and the International Criminal Court. These matters, however, are only a small part of an otherwise well functioning partnership.<sup>65</sup>

Polemics on “hard” versus “soft” security solutions oppose the U.S. option for unilateral action to EU’s multilateral cooperation approach. The optimal solution is to reach a compromise between the talk of preeminence and unilateralism by the U.S. and the greater willingness by the EU to step up and share the burden.<sup>66</sup>

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<sup>65</sup> “Transatlantic Relations”, *Security & Defence* February 2005, available online at: <http://www.euractiv.com/Article?tcmuri=tcm:29-133371-16&type=LinksDossier>. Accessed 3 April 2005.

<sup>66</sup> Gunter Burhardt, “A Chance to Rebuild the Transatlantic Partnership”, *European Institute*, Fall 2004, available online at: [http://www.europeanaffairs.org/current\\_issue/2004\\_fall/2004\\_fall\\_30.php4](http://www.europeanaffairs.org/current_issue/2004_fall/2004_fall_30.php4). Accessed 11 April 2005.

## **B. U.S. - EU RELATIONS**

The bond that ties Europe to the U.S. goes back in the history of the last century. America helped Europe in the two World Wars and through the Marshall Plan<sup>67</sup>, rebuilt the economies of Western Europe.

European integration has been a core U.S. goal since the Truman administration. President Truman and Secretary of State George Marshall blessed the antecedents of the Common Market, which eventually became the EU. The original policy goal was twofold: first, contain Soviet expansionism and second, anchor Germany within a larger, democratic European collectivity.<sup>68</sup>

The collapse of communism was an historic opportunity to reunite Europe. The history of the EU springs directly from those days. Europe and the U.S. became each other's principal partner in addressing the crosscutting issues on the international agenda.

Through the Cold War, Western Europe and the U.S. had a common enemy in the Soviet Union. NATO provided the collective security arrangement against this clear threat. Occasional tensions sprang at times from European worries about whether the U.S. "might return to isolationism or American irritation with lack of European investment in defense."<sup>69</sup>

The decade of the 1990s brought a cascade of events. The fall of the Berlin Wall triggered fundamental changes in Europe. The chain reactions starting with the reunification of Germany were followed by the end of the Soviet Union and the Warsaw Pact and the massive transition to democracy in the former Communist states of Central and Eastern Europe. While in the late 90's

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<sup>67</sup> In 1947, Secretary of State George C. Marshall presented at Harvard University an outline of what has later become the Marshall Plan. The United States offered Europe up to \$20 billion for relief after WWII. For the first time, European nations had to cooperate with each other and act as a single economic unit.

<sup>68</sup> Robert Kuttner, "Neocons Fret over Tilt with Europe", *The Boston Globe*, February 2005.

<sup>69</sup> Timothy Garden, "The Future of European-American Relations", the *Centre for Defense Studies* in London, 2004, available online at: <http://www.tgarden.demon.co.uk/writings/articles/2004/040303indi.html>. Accessed 12 April\2005.

there was some concern about the future of NATO<sup>70</sup> without a clear enemy, the instability stemming from the break up of the former Yugoslavia gave plenty of work for Alliance forces.

In the aftermath of the terrorist attacks of 9/11, the spirit of solidarity that made Europeans affirm "we are all Americans"<sup>71</sup> was palpable and unified the two sides of the Atlantic. The universal European reaction to those attacks was one of sympathy for America and horror at the outrage. Yet, by the end of 2002 the U.S. and Europe seemed further apart than they were before.<sup>72</sup>

The transatlantic partnership was critically jeopardized by the U.S. unilateral decision to start the war in Iraq. France's vow to veto a motion authorizing war on Iraq did not prevent the U.S. and Britain from launching an attack without backing from the United Nations (UN), plunging the Atlantic alliance and the EU into deep crisis. Hence, even before the first shots were fired, collateral damage had been brought to institutions like the UN, NATO and EU, who have been the foundations of Western stability since 1945.

The Iraq crisis has split Europe into a pro-American camp led by Tony Blair of Britain, Jose Maria Aznar of Spain and Silvio Berlusconi of Italy and an anti-war camp led by Jacques Chirac of France and German Chancellor Gerhard Schroeder. Moreover, the candidate countries due to join NATO and the EU in the 2004 enlargement wave have sided with Washington, drawing a bitter French rebuke and raising the prospect of a more pro-American tilt in an enlarged EU25 bloc.<sup>73</sup>

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<sup>70</sup> The Alliance has redefined its Strategic Concept in the Washington Summit of 1999.

<sup>71</sup> Jean-Marie Colombani, "We are all Americans", *Le Monde*, Paris, September 2001, available online at: [http://www.worldpress.org/1101we\\_are\\_all\\_americans.htm](http://www.worldpress.org/1101we_are_all_americans.htm). Accessed 19 March 2005.

<sup>72</sup> Charles Grant, "Security Challenges in Transatlantic Relations.", *Transatlantic Internationale Politik*, 2/2003, available online at: <http://www.weltpolitik.net/Sachgebiete/Internationale%20Sicherheitspolitik/GASP/Analysen/%22Security%20Challenges%20in%20Transatlantic%20Relations.%22.html>. Accessed 20 April 2005.

<sup>73</sup> Gustav Lindstrom (ed.) "Shift or Rift; Assessing U.S.-EU Relations after Iraq", *European Institute for Security Studies*, Transatlantic Book 2003, available online at: <http://www.iss-eu.org/chailot/bk2003.pdf>. Accessed 11 April 2005.

The present concentration of power in the U.S. is unprecedented, leading to a uni-polar world. As the British scholar Timothy Garton Ash observes, the U.S. “has too much power for anyone’s good, including its own.”<sup>74</sup> This U.S. lead is unchallenged by any past cases of global powers. As Paul Kennedy noted:

Nothing has ever existed like this disparity of power; nothing. I have returned to all of the statistics over the past 500 years... and no other nation comes close.<sup>75</sup>

American hegemony is resting on two unchallengeable pillars. First is the control of global economic markets seconded by the military power and particularly the ability to project that power to all corners of the globe.

On the other side of the Atlantic, the new enlarged EU has become a global trader with interests around the world. Having about 456.4 million inhabitants<sup>76</sup>, EU produces nowadays a GDP of the same order as the U.S.

Therefore, it was long foreseen as inevitable that relationships would have to change and that Europe was going to challenge the U.S. hegemony.<sup>77</sup> In this respect, Samuel P. Huntington of Harvard University predicted that the coalescing of the EU would be “the single most important move” in a worldwide reaction against American hegemony and would produce a “truly multipolar” twenty-first century.”<sup>78</sup>

What Europe really seeks is not to overcome the U.S. military might, but to oppose it. In this respect, even the French critic Hubert Védrine has stopped talking about counterbalancing the U.S., declaring

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<sup>74</sup> Timothy Garton Ash, “The Peril of Too Much Power”, *New York Times*, 9 April 2002, available online at: <http://www.mtholyoke.edu/acad/intrel/bush/ash.htm>. Accessed 23 April 2005.

<sup>75</sup> Paul Kennedy, “The Rise and Fall of the Great Powers” Vintage, 1989.

<sup>76</sup> On 1 January 2004, the population of the EU25 was 456.4 million and that of the euro zone 308.4 million. The EU25 accounts for 7.2% of the world population being ahead of the United States with 4.6% (292 million people). From: Eurostat “European demography in 2003”, available at: [http://epp.eurostat.cec.eu.int/cache/ITY\\_PUBLIC/3-31082004-BP/EN/3-31082004-BP-EN.PDF](http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/3-31082004-BP/EN/3-31082004-BP-EN.PDF). Accessed 19 April 2005.

<sup>77</sup> Ronald Asmus, P Everts and P Isernia, “Across the Atlantic and the Political Aisle: The Double Divide in U.S.-European Relations”, *Transatlantic Trends* 2004.

<sup>78</sup> Samuel P. Huntington, “The Lonely Superpower,” *Foreign Affairs*, March-April 1999.

there is no reason for the Europeans to match a country that can fight four wars at once. It was one thing for Europe in the 1990s to increase its collective expenditures on defense from \$150 billion per year to \$180 billion when the United States was spending \$280 billion per year. But now the United States is heading toward spending as much as \$500 billion per year, and Europe has not the slightest intention of keeping up.<sup>79</sup>

## **1. Shared Values and Preferred Economic Ties**

The EU and the U.S. have a common belief in a democratic government, human rights and market economics. Overall, despite occasional differences between them, vital economic ties bind the U.S. and Europe, which also have common security interests. Beyond the occurrence of isolated political disagreements, the Iraq crisis has had no effect on the flow of trade and investment between the U.S. and Europe.

The EU and the U.S. businesses and economies are increasingly interconnected, and it is often difficult to distinguish between a U.S. and EU company. Nowadays for example, U.S. firms have European affiliates that are treated as EU companies, and European firms manufacture in the U.S. - hence when the U.S. economy prospers, Europe also benefits and vice-versa. Therefore, it is in the mutual interest to see the transatlantic relationship not as a competitive one, but as a complementary one.<sup>80</sup>

Today, the U.S. and the EU together account for 40 percent of world trade, being each other's most important trading partner. Preserving this relationship is essential to their prosperity and growth. Moreover, 59 percent of incoming and 79 percent of outgoing foreign direct investment originates from the transatlantic area.<sup>81</sup>

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<sup>79</sup> Robert Kagan, "Power and Weakness" Policy Review, No. 113, July 2002, available online at: <http://www.policyreview.org/JUN02/kagan.html>. Accessed 17 April 2005.

<sup>80</sup> Ambassador Schnabel, "On the Future of U.S.-EU Relations", March 2004, available online at: <http://www.coleurop.be/content/news/speeches/Speech%20Schnabel.pdf>. Accessed 21 April 2005.

<sup>81</sup> The Interparliamentary European Security and Defence Assembly, New challenges for transatlantic security cooperation, Dec. 2004, available online at: [http://www.assembly-weu.org/en/documents/sessions\\_ordinaires/rpt/2004/1877.html](http://www.assembly-weu.org/en/documents/sessions_ordinaires/rpt/2004/1877.html). Accessed 9 March 2005.

The combined transatlantic workforce of associate companies on both Atlantic shores is greater than 12 million people. About 60 percent of research and development (R&D) undertaken by American foreign affiliates is carried out in Europe. European companies' expenditures in the U.S. are also very substantial.<sup>82</sup>

The U.S. and the EU are both partners and competitors. Consequently, their attitudes differ on several issues. Some areas of transatlantic disagreement such as steel, the Foreign Sales Corporations<sup>83</sup>, or the Byrd Amendment<sup>84</sup>, or aerospace have already been subject to rulings by the World Trade Organization (WTO). Other disputes (Galileo/GPS) have been resolved or are in the process of being resolved, while yet others continually present difficulties (agricultural exports, imports of genetically modified organisms or hormone-treated meat).

One particular area of significant competition between the U.S. and Europe is that of space and defense equipment technologies, which are essential for maintaining strategic autonomy and the technological edge of a regional or world power. In aeronautics in particular, the U.S. is currently raising questions about the bilateral agreement governing direct and indirect subsidies to Boeing and Airbus. The dispute has reached the WTO for mitigation.

The American defense market is relatively closed, and technology transfer rules are highly restrictive.<sup>85</sup> Still, across the Atlantic, intensified efforts are made to strengthen European armaments cooperation and improve European industrial competitiveness, with the aim being to bridge the capabilities gap.

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<sup>82</sup> Daniel Hamilton & Joseph Quinlan, "Partners in prosperity: The changing geography of the transatlantic economy", Centre for Transatlantic Relations, SAIS, Washington, 2004.

<sup>83</sup> The Foreign Sales Corporations regulations to encourage American exports provide for the profits of the overseas affiliates of U.S. firms to be exempt from taxation, a practice condemned by the WTO.

<sup>84</sup> The Byrd Amendment allows the distribution of anti-dumping and anti-subsidy duties to the companies that take their case to the authorities. The European Union takes the view that such redistribution is an illegal and hidden subsidy to American producers.

<sup>85</sup> "Britain warns U.S. of arms retaliation". *The Financial Times*, 30 July 2004.



An opportunity for increased transatlantic cooperation in defense was the consolidation of the U.S. defense industry in the 1990s. It reduced the number of domestic defense companies so sharply that for some products, only one U.S. manufacturer now exists. The Pentagon has been forced to widen the field of bidders to keep costs down.

For example, in the market for airliners, Boeing is the last domestic maker of wide-body jets. This is forcing the Pentagon to consider Europe's Airbus if it wants a competition.

With the Pentagon's budget squeezed by war costs and deficit concerns, military leaders are increasingly willing to buy a foreign product rather than pay more to develop a U.S. alternative. The Pentagon is increasingly shopping overseas for its weapons. This puts an end to a long made-in-America tradition that assured U.S. defense contractors of nearly exclusive sales to their best customer.

The Navy's recent selection of a British-Italian design for the President's next helicopter demonstrated the breadth of the move toward foreign suppliers. Furthermore, the new openness raises the prospect that the Air Force will seriously entertain a European bid to replace its refueling tanker planes after a multibillion contract with Boeing collapsed last year in an ethics scandal at the company. Also, on the horizon is an Army decision on whether to replace the M16 rifle, designed by Connecticut-based Colt Defense LLC, with a German-designed gun.

The bottom line is that the overseas purchases of the Pentagon have enormous positive effects on the dynamics of the transatlantic partnership. Like its counterpart in the U.S., the European defense industry has consolidated and developed expertise, and it is aggressively pursuing work with the Pentagon,

which is “still flush with cash compared with their nations’ defense departments.”<sup>86</sup> Nevertheless, foreign governments may be more willing to buy U.S. products.

## **2. Sources of Transatlantic Tensions**

Differences of approach and sometimes-opposed views are to be found on both sides of the Atlantic. Cultural differences influence styles of governance and their internal policies with respect to carrying weapons, the death penalty, genetically modified organisms, customs barriers, the role of religion or the appropriate size of a social security system.<sup>87</sup> There have always been differences but, during the Iraq crisis, they have been deliberately politicized.

Critics maintain that the U.S. tends to ignore the concerns of the rest of the world, setting standards of right and wrong that align with U.S. interests.<sup>88</sup> Understandably, after 9/11, Americans are focused largely on the global war against terrorism. But this has strengthened the influence of the hardliners in the U.S. administration and reduced America’s willingness to consult its allies. Thus, Europeans often take a different line from the U.S. over arms control, international organizations, the environment and wider trade issues.

The U.S. and Europe are fundamentally different today. Their mindsets differ on the nature and urgency of the problems to be addressed. In Robert Kagan’s words:

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<sup>86</sup> Renae Merle. “Pentagon’s Global View; U.S. Increasingly Looks Abroad for Competitive Defense Contracts”, The Washington Post, March 2005, available online at: <http://proquest.umi.com/pqdweb?index=2&did=804486281&SrchMode=1&sid=1&Fmt=3&VInst=P&VType=PQD&RQT=309&VName=PQD&TS=1114623156&clientId=11969>. Accessed 17 April 2005.

<sup>87</sup> T. R. Reid, “The United States of Europe: The New Superpower and the End of the American Supremacy”, *The Penguin Press*, New York, 2004.

<sup>88</sup> Daniel Brumberg, “Hegemony or Leadership”, *Harvard International Review*, 2004, available online at: <http://www.ceip.org/files/publications/2003-04-01-brumberg-HIR.asp>. Accessed 17 April 2005.

On the all-important question of power - the efficacy of power, the morality of power, the desirability of power - American and European perspectives are diverging. [...] That is why on the major strategic and international questions today, Americans are from Mars and Europeans are from Venus: They agree on little and understand one another less and less. And this state of affairs is not transitory.<sup>89</sup>

**a. Differences on International Policy**

In the late 1990s, transatlantic relations were characterized by intense economic relations yet weak political contacts. However, an effective U.S.-European political partnership, across a wide range of policy areas, is essential to global order and the world economy. In this context, the public diplomacy goal of the President Bush's trip to Europe early this year, was "an opportunity to speak to the peoples of Europe"<sup>90</sup> and a clear intention to heal the transatlantic rift.

The arguments about economic issues such as steel and farm subsidies were nothing new, but disagreements regarding foreign and defense policy, such as Iraq, Middle East, and recent divergences over lifting the arms embargo on China, have farther eroded the transatlantic relations.

In recent years the European allies and the U.S. have disagreed over issues such as the Comprehensive Test Ban Treaty (CTBT)<sup>91</sup>, the "Mine Ban Treaty."<sup>92</sup> the Anti-Ballistic Missile Treaty (ABM)<sup>93</sup>, the Kyoto Protocol (to

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<sup>89</sup> Robert Kagan, "Power and Weakness" Policy Review, No. 113, July 2002, available online at: <http://www.policyreview.org/JUN02/kagan.html>. Accessed 17 April 2005.

<sup>90</sup> Susan Milligan, "Bush softens touch in Europe, but not his policy", *Boston Globe* third ed., February 2005.

<sup>91</sup> The Comprehensive Test Ban Treaty has been signed and ratified by all the EU member states. It was signed by the U.S. on 24 September 1996, but has still to be ratified.

<sup>92</sup> The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction (Treaty of Ottawa) was signed and ratified by all EU member states, but not signed by the United States.

<sup>93</sup> The Anti-Ballistic Missile Treaty was ratified by the U.S. on 3 August 1972, but on 14 December 2001, President Bush announced the U.S.'s intention to withdraw.

limit greenhouse gas emissions) and the arms embargo<sup>94</sup> on China. The United Nations International Criminal Court (ICC)<sup>95</sup> is another issue generating heated opposition between Americans and Europeans.

On the European side, policymakers have become frustrated by the tendency of the U.S. to act without consulting allies (i.e. the military campaign in Afghanistan and Iraq); by its reluctance to be constrained by international treaties and organizations (blocking the dialog in the Kyoto Protocol and disregarding UN or WTO provisions); and by its “enthusiasm for deploying the hard sort of power.”<sup>96</sup> The European approach to these issues ranges from peacekeeping operations to increased economic aid, as well as other contributions to nation building.

On the other side, American policymakers have found the Europeans parochial in their world-view. They were considered “slovenly in their reaction to the threat of WMD, and pathetic in their military capabilities.”<sup>97</sup>

European and U.S. perceptions of the threat are very different. For their part, Europeans do not feel at war, focusing more on their integration process and economic development. Given the enormous and difficult agenda of integration, this European tendency to look inward is understandable. EU enlargement, the revision of the common economic and agricultural policies, the question of national sovereignty versus supranational governance, the so-called

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<sup>94</sup> Within the EU Council, European nations have begun discussing the possibility of a removal of the embargo. The U.S. criticizes Europeans for being willing to consider sacrificing human rights to commercial ambition and is roundly opposed to such a step. It fears China could use European technology transfers to develop weapons, which might then be used against the Americans, particularly in the event of a conflict involving Taiwan. The Americans are also afraid of the spread of an arms race in the region.

<sup>95</sup> The Court was established in 1998. It is a permanent international tribunal with universal jurisdiction, competent to try anyone suspected of crimes of genocide, war crimes, crimes against humanity and crimes of aggression. The United States, in principle, opposed to a supranational court with authority to prosecute its nationals, fearing also that the Court would become politicized.

<sup>96</sup> Charles Grant, “Security Challenges in Transatlantic Relations” in Transatlantic Internationale Politik, No.2/2003 available online at: <http://www.weltpolitik.net/Sachgebiete/Internationale%20Sicherheitspolitik/GASP/Analysen/%22Security%20Challenges%20in%20Transatlantic%20Relations.%22.html>. Accessed 29 March 2005.

<sup>97</sup> Ibid.

democracy deficit, the jostling of the large European powers, the dissatisfaction of the smaller powers, the establishment of a new European constitution - all of these present serious and unavoidable challenges.

Additionally, European hardliners consider that the Bush administration tends to reduce complex global problems to the neat template of the war against terror, conflating terrorism with weapons proliferation and the danger coming from rogue states. Their argument is that each of these are serious and interrelated problems, but they are analytically distinct and require adequate policy responses.<sup>98</sup>

According to recent polls, a growing majority in Europe is openly critical of U.S. policies and desires a reassessment of the type and extent of Europe's partnership with the United States. Opinion polls presented in Figure 3 show an increased tendency in the U.S. (60 percent) towards closer relations with the EU, whereas in Europe the trend seems to move in the opposite direction, with 71 percent of Europeans believing that the EU should become a superpower.

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<sup>98</sup> Charles Grant, "Transatlantic rift: How to bring the two sides together", Centre for European Reform, London, July 2003, available online at: [http://www.cer.org.uk/pdf/p467\\_transatlantic\\_rift\\_cg.pdf](http://www.cer.org.uk/pdf/p467_transatlantic_rift_cg.pdf). Accessed 10 March 2005.

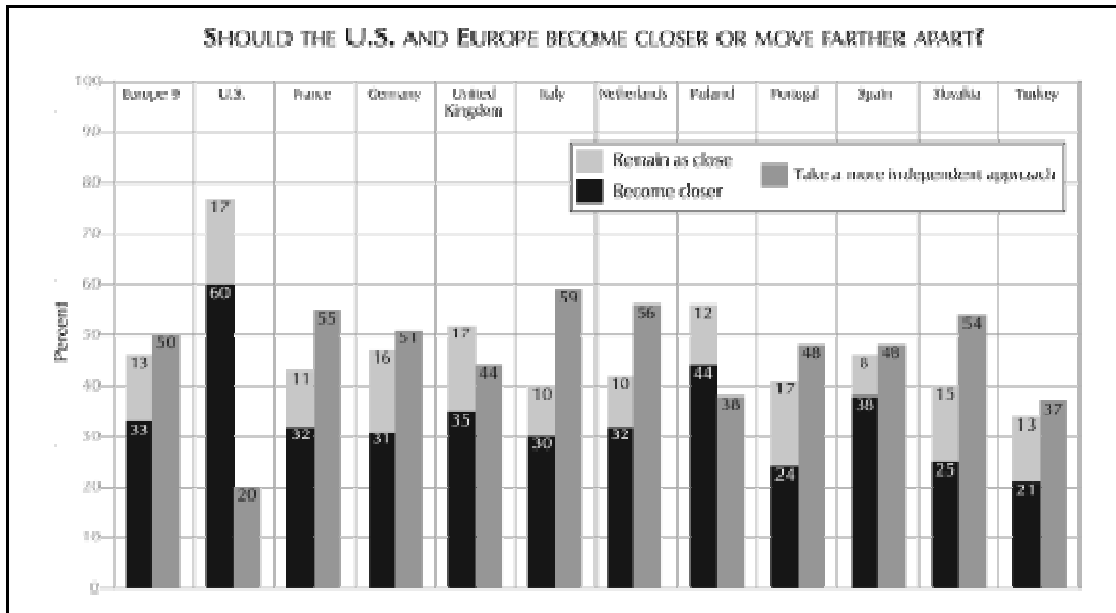


Figure 3. Should the U.S. and Europe become closer or move farther apart?<sup>99</sup>

At the same time, only 28 percent of Europeans, as compared to 54 percent of Americans, believe that military might is the best way of keeping the peace.<sup>100</sup> Thus, Europeans are not willing to shift significant resources from social programs to military programs.

#### ***b. Different Approaches to Security***

Some transatlantic security challenges are not new, but in the present international context they have become more pressing as ever before. The danger of proliferation among states of WMD is matched by the danger of the use of those weapons for terrorist purposes.

When confronted with international crises, especially those in the Middle East or in the Balkans, the goals of peace and stability are ones that are

<sup>99</sup> From: Transatlantic Trends 2004, German Marshall Fund, available online at: [http://www.transatlantictrends.org/apps/gmf/tweb2004.nsf/0/D154546D26BFF48B85256F0900669ED1/\\$file/Newest+Report.pdf](http://www.transatlantictrends.org/apps/gmf/tweb2004.nsf/0/D154546D26BFF48B85256F0900669ED1/$file/Newest+Report.pdf). Accessed 11 April 2005.

<sup>100</sup> Assembly of WEU, The Interparliamentary European Security and Defence Assembly, New challenges for transatlantic security cooperation, available online at: [http://www.assembly-weu.org/en/documents/sessions\\_ordinaires/rpt/2004/1877.html](http://www.assembly-weu.org/en/documents/sessions_ordinaires/rpt/2004/1877.html). Accessed 9 March 2005.

shared by Americans and Europeans alike. The U.S. and Europe have common interests and the same priorities in terms of security and external action, aiming at:

- Maintaining the democratic traditions and shared basic values of tolerance and support for civil liberties in the face of religious fanaticism;
- Eradicating, or at least neutralizing, the common threat to security and prosperity;
- Helping other parts of the world develop democratic institutions and advanced economies.<sup>101</sup>

However, the means advocated for achieving these goals, at times, differ from one Atlantic shore to the other. The main difference between the two Atlantic shores is recourse to force.

There is a striking difference between the U.S. National Security Strategy of 2002, which reflects an ideology based on preemption and preeminence<sup>102</sup>, and the EU's Security Strategy of 2003, which speaks about preventive action based on effective multilateralism and partnership under the UN framework.<sup>103</sup> While the American doctrine is externally oriented on “foreign threats” such as the proliferation of weapons of mass destruction, terrorism, and rogue states, The European doctrine looks more at “challenges,” such as ethnic conflict, migration, organized crime, poverty and environmental degradation, but do not exclude the use of force.

As the EU has tried to move towards a common foreign and security policy, these differences have widened. However, as Stephen Everts mentions, “the key difference is less a matter of culture and philosophy than of

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<sup>101</sup> Assembly of WEU, The Interparliamentary European Security and Defence Assembly, New challenges for transatlantic security cooperation, available online at: [http://www.assembly-weu.org/en/documents/sessions\\_ordinaires/rpt/2004/1877.html](http://www.assembly-weu.org/en/documents/sessions_ordinaires/rpt/2004/1877.html). Accessed 9 March 2005.

<sup>102</sup> The White House, “The National Security Strategy of the United States of America”, Washington, September 2002, available online at: <http://www.whitehouse.gov/nsc/nss.pdf>. Accessed 9 March 2005.

<sup>103</sup> European Security Strategy, “A Secure Europe in a Better World”, Brussels, December 2003, available online at: <http://ue.eu.int/uedocs/cmsUpload/78367.pdf>. Accessed 19 March 2005.

capability.”<sup>104</sup> This is an additional reason for the EU to build up further its capabilities and increase its coherence.<sup>105</sup>

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<sup>104</sup> Steven Everts, “Unilateral America, Lightweight Europe?: Managing Divergence in Transatlantic Foreign Policy” *Centre for European Reform*, Working Paper, February 2001.

<sup>105</sup> European Security Strategy, “A Secure Europe in a Better World”, Brussels, December 2003, available online at: <http://ue.eu.int/uedocs/cmsUpload/78367.pdf>. Accessed 19 March 2005.



## **IV. DEVELOPMENTS IN THE NATO-EU RELATION**

### **A. OVERVIEW**

The transatlantic alliance has had to adjust its objectives and means to the new security challenges. This chapter discusses the EU's endeavor to develop a highly effective common security and defense policy. On this background, the development of the European Security and Defence Policy is one of the most remarkable events of the integration process in the late 90s.

Since the coming into force of the Amsterdam Treaty, a breathtaking dynamic was set free, starting with the Franco-British Summit of St. Mâlo in 1998, the European Councils of Cologne, Helsinki 1999, Feira (2000), the Treaty of Nice in December 2000, the European Council of Laeken 2001, the NATO Summit in Prague 2002, the European Council in Brussels 2003, and the NATO Summit in Istanbul in 2004. A new institutional set-up was defined, military and civilian capabilities for crisis management were established, and arrangements with NATO and other organizations were taken into consideration.

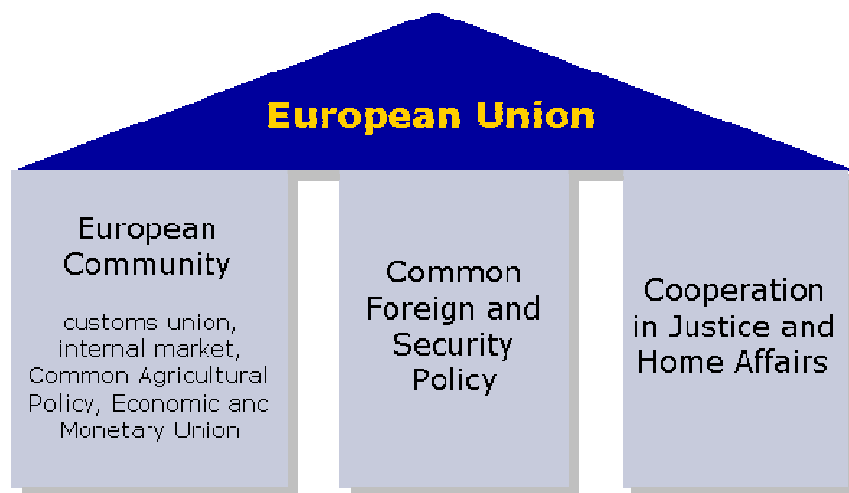
This chapter addresses some of the main aspects of the NATO-EU relation regarding the controversies of collaboration versus competition, power versus burden sharing and the quest for capabilities buildup in EU.

The parallel enlargement processes in NATO and the EU had a profound impact on one another, given that they both reach the heart of some fundamental questions, ranging from trade liberalization and globalization to the nature of security in 21<sup>st</sup> century Europe. Done properly and in a coordinated fashion, the NATO-EU "Double enlargement" can only strengthen both the EU and the transatlantic partnership, increasing the capabilities available to NATO and the EU to deter or respond to crises. Done poorly, the enlargement might create new tensions between allies and lead to their drifting apart.

## B. FROM ESDI TO ESDP

One huge step in the development of the EU towards a federation was the idea of a common defense. The EU's nascent foreign and security policy was first enshrined in the 1992 Maastricht Treaty. Subsequent steps led to the establishment of the Common Foreign and Security Policy as the second pillar of the EU.

The EU is an umbrella organization<sup>106</sup> based on three pillars, as presented in Figure 4.



**Figure 4. The three pillars of the European Union.<sup>107</sup>**

The failure to cope effectively with the Balkans crisis in the 1990s had a dual effect on the EU. It forced the EU leaders to realize that they need to harmonize their foreign policies and that an effective military force would be required to support a common policy.

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<sup>106</sup> Ulla Klotzer. "The militarization of the European Union", available online at: <http://www.russfound.org/consult1/papers1/klotze.htm>. Accessed 11 April 2005.

<sup>107</sup> From: "How the European Union works: A citizen's guide to the European Union Institutions", *European Commission Directorate*, June 2003, available online at: [http://europa.eu.int/comm/publications/booklets/eu\\_documentation/06/en.pdf](http://europa.eu.int/comm/publications/booklets/eu_documentation/06/en.pdf). Accessed 11 April 2005.

The Europeans also realized that without NATO support they would have not been able to wage a campaign of military significance. Consequently, they acknowledged that their first need was a Rapid Reaction Force to be deployable in a short time, in case of a crisis.

Hence, at the December 1999 Helsinki European Council meeting, EU member states set themselves a military capability target known as the Headline Goal.<sup>108</sup> It projected a force of 60,000 troops, deployable in 60 days and sustainable for a year in support of the “Petersberg Tasks.”

The “Petersberg Tasks” were established in June 1992 at the Ministerial Council of the Western European Union (WEU) held at the Petersberg Hotel. On this occasion, the WEU member states declared that the WEU would serve “as the defense component of the EU and as the means to strengthen the European pillar of the Atlantic Alliance,” and restated their readiness to make available military units from the whole spectrum of their conventional armed forces for military tasks conducted under the authority of the WEU.

Moreover, the different types of military tasks that the WEU can undertake were defined:

apart from contributing to the collective defence in accordance with Article 5 of the Washington Treaty and Article V of the modified Brussels Treaty, military units of WEU Member States may be employed for:

- humanitarian and rescue tasks;
- peace-keeping tasks;
- tasks of combat forces in crisis management, including peacemaking.<sup>109</sup>

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<sup>108</sup> The Interparliamentary European Security and Defence Assembly, “The EU headline goal and the NATO Response Force”, *Assembly of WEU*, June 2003, available online at: [http://www.assembly-weu.org/en/documents/sessions\\_ordinaires/rpt/2003/1825.html](http://www.assembly-weu.org/en/documents/sessions_ordinaires/rpt/2003/1825.html). Accessed 15 March 2005.

<sup>109</sup> WEU Council of Ministers, Petersberg Declaration, 19 June 1992, “On Strengthening WEU’s Operational Role”, available online at: [www.weu.int/eng/comm/92-petersberg.htm](http://www.weu.int/eng/comm/92-petersberg.htm). Accessed 11 February 2005.

These tasks are today expressly included in Article 17.2 of the Treaty on European Union and form an integral part of the ESDP.<sup>110</sup>

Two obstacles hindered the implementation of this declaration. First is the overlap between NATO and the EU, in that both organizations have expressed a willingness to undertake all of the “Petersberg Tasks” missions. Second, the Petersberg tasks formula does not make a clear distinction between “upper” and “lower” level tasks as the relevant NATO documents do. According to the AJP-01(b) and AJP3.4.1’PSO’ NATO documents, lower order operations are basically noncombatant operations and upper level operations imply the employment of military combat means. By contrast, EU member states consider the lower level Petersberg Tasks “neither politically sensitive nor militarily demanding.”<sup>111</sup>

Parallel to the European development, NATO underwent a process of profound reform since the early 1990s to adjust to the changed political, military and strategic environment. As early as 1990, the NATO's London and Paris Declarations proposed cooperation to their former adversaries, the ex-members of the Warsaw Pact. Consequently, in the 1991 Strategic Concept, NATO decided formally to add dialogue and cooperation with former adversaries as another task of the Alliance in addition to collective defense.

In 1992, NATO offered the Organization for Security and Cooperation in Europe (OSCE) and the UN support in peacekeeping activities. At its 1994 Brussels summit, NATO reaffirmed itself to be in-principle open to new members, adopted the Partnership for Peace (PfP) program and started a restructuring of its command structures to meet the new challenges of conflict prevention and crisis management. As an institutional framework, the North Atlantic Cooperation

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<sup>110</sup> Martin Ortega, “Petersberg Tasks, and missions for the EU military forces”, *Institute for Security Studies*, February 2005, available online at: <http://www.iss-eu.org/esdp/04-mo.pdf>. Accessed 12 April 2005.

<sup>111</sup> “Achieving the Helsinki Headline Goals”, *Centre for Defence Studies*, King's College London, Discussion Paper, November 2001.

Council (NACC) was founded and succeeded in 1997 by the wider Euro-Atlantic Partnership Council (EAPC) with currently 46 allies and partner members.<sup>112</sup>

### **1. Collaboration versus Competition**

With the stronger Europe position, the relation between NATO and the European defense policy inevitably became a key issue. The establishment of a European Security and Defence Identity (ESDI) caucus within NATO, which lately evolved into a European Security and Defence Policy (ESDP) as the second pillar of the EU, was intended to ensure that the European efforts to play a greater role in the international security arena would be pursued within the Alliance framework, and not independently. With respect to the terminology, NATO prefers to use the term ESDI. By contrast, the EU has formally shifted at the December 1999 Helsinki European Council to using the term ESDP to stress that this was a “policy” of the EU, and not just an “identity” derived from NATO.<sup>113</sup>

The project of developing an independent ESDP, launched by the Cologne European Council in June 1999 as a distinctive part of the EU's CFSP, was supposed to be one of the most important by-products of European integration. As stated by the European Security Strategy (ESS), the role of ESDP is to

complete and thus strengthen the EU's external ability to act through the development of civilian and military capabilities for international conflict prevention and crisis management.<sup>114</sup>

Visible progress towards closer military cooperation and integration has been hampered by two factors. First was the divide, in views, between the EU members. On the background of its “special relationship” with the U.S., Britain has supported an ESDP complementary to NATO, whereas France and Germany tended to project it more as a substitute or even rival to NATO.

<sup>112</sup> “EAPC Member Countries”, NATO, Euro Atlantic Partnership Council, available online at: <http://www.nato.int/pfp/eapc-cnt.htm>. Accessed 23 April 2005.

<sup>113</sup> Robert E. Hunter, “The European Security and Defense Policy: NATO's Companion or Competitor?”, *Rand Publications*, 2002.

<sup>114</sup> European Security Strategy, “A Secure Europe in a Better World”, Brussels, December 2003, available online at: <http://ue.eu.int/uedocs/cmsUpload/78367.pdf>. Accessed 19 March 2005.

The French president Jacques Chirac called for a stronger EU to confront Washington. He maintained America's assertive policies made it crucial for Europe to pull closer together as a single power bloc. The French foreign minister Michel Barnier argued, "Our world needs several powers. We are in the process of gathering the pieces and the will to become another power."<sup>115</sup>

Second, the position of the U.S. on the ongoing ESDP project has always been ambivalent.<sup>116</sup> It ranged between welcoming the efforts of the Europeans to improve their capabilities and expressing concerns with regards to the ESDP's potentially divisive effect on NATO. The first Bush Administration made it clear that "such one-sided European experiments [as ESDI] could put NATO at risk."<sup>117</sup> Skepticism on Capitol Hill in Washington DC was based on two envisioned scenarios: either ESDP will do so little that it will not make up for shortfalls in NATO capabilities, or it will try to do so much, at the expense of NATO primacy, that NATO would become less effective, and U.S. influence in Europe would be dramatically weakened.<sup>118</sup>

Moreover, the gap between the proud rhetoric with which the Europeans launched the ESDP and its hitherto unimpressive performance fueled the argument of those Americans who claimed that the EU will never be a serious global player and is "nothing more than an economic club."<sup>119</sup> Thus, for the most part of a decade, each new development in the creation of ESDP and in NATO's

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<sup>115</sup> Ambrose Evans Pritchard & Toby Helm "French call for stronger European Union to keep America in check", November 2004, available online at: <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2004/11/05/wus205.xml&sSheet=/news/2004/11/05/ixnewstop.html>. "

<sup>116</sup> Esther Brimmer, "The European Union's Search for a Strategic Role; ESDP and Its Implications for Transatlantic Relations", *Center for Transatlantic Relations*, European Union Center Washington, 2002.

<sup>117</sup> Martin Walker, "The European Union and the European Security and Defence Initiative; NATO & Europe in the 21<sup>st</sup> Century", *Woodrow Wilson International Center for Scholars*, 2000.

<sup>118</sup> Robert E. Hunter, "The European Security and Defense Policy: NATO's Companion or Competitor?", *Rand Publications*, 2002.

<sup>119</sup> Charles Grant, "Security Challenges in Transatlantic Relations" in *Transatlantic Internationale Politik*, No.2/2003 available online at: <http://www.weltpolitik.net/Sachgebiete/Internationale%20Sicherheitspolitik/GASP/Analysen/%22Security%20Challenges%20in%20Transatlantic%20Relations.%22.html>. Accessed 29 March 2005.

response to it has been attended by “a high degree of misunderstanding, at times even mistrust, often amounting to a proper dialogue of the deaf.”<sup>120</sup>

Finally, at NATO’s Berlin and Brussels foreign and defense ministerial meetings, the compromise solution also known as “the grand bargain”<sup>121</sup> was negotiated. It was agreed that NATO would help to facilitate the creation of ESDP, but not as a completely independent entity, likely to rival NATO and drain its resources. Instead, ESDP would be designed as a European caucus within NATO. Moreover, the U.S. agreed that some of its own assets<sup>122</sup> could be made available to the EU.

Originally, the NATO-EU relation was projected based on two critical concepts. First was the principle of “separable but not separate” military capabilities that could be employed by NATO and the EU. The second principle implicitly recognized “NATO’s primacy” and acknowledged that there cannot be “two NATOs.” one for Article 5 and one for non-Article 5 tasks.<sup>123</sup>

From the American point of view, in order for the ESDP to be successful, it must not interfere with the role of NATO:

We believe the ESDP should remain focused on conducting crisis management outside the EU's borders and not seek to undertake common defense. That is NATO's responsibility.<sup>124</sup>

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<sup>120</sup> Charles Grant, “Security Challenges in Transatlantic Relations” in *Transatlantic Internationale Politik*, No.2/2003 available online at: <http://www.weltpolitik.net/Sachgebiete/Internationale%20Sicherheitspolitik/GASP/Analysen/%22Security%20Challenges%20in%20Transatlantic%20Relations.%22.html>. Accessed 29 March 2005.

<sup>121</sup> Ministerial Meeting of the North Atlantic Council, Final Communiqué, *NATO Press Communiqué*, Brussels, June 1996.

<sup>122</sup> NATO’s ownership of military goods is limited to headquarters, command, control and communications facilities, as well as to some logistics (like the Pipelining System), and to 17 Airborne Warning and Control Surveillance aircraft (AWACS). When deciding to undertake a military operation, it rather call upon national contributions.

<sup>123</sup> Robert E. Hunter, “The European Security and Defense Policy: NATO’s Companion or Competitor?”, *Rand Publications*, 2002.

<sup>124</sup> Bach William, “European Defence: Bridging the Capabilities Gap”, *RUSI Journal*, December 2003, Available online at: [http://www.findarticles.com/p/articles/mi\\_qa3727/is\\_200312/ai\\_n9322957](http://www.findarticles.com/p/articles/mi_qa3727/is_200312/ai_n9322957). Accessed 23 April 2005.

By this token, ESDP should not be designed as a substitute to NATO, but rather be oriented toward stabilization and peace keeping operations. In other words, the ESDP should not address issues of hard security.

A significant turn in the development of ESDP and in the traditional British policy took place in December 1998 at the Franco-British summit in St. Mâlo. When the British Prime Minister Tony Blair “crossed the European defence in Rubicon.” it set the entire ESDP into motion.<sup>125</sup>

The reasons behind this dramatic change in the United Kingdom’s policy on EU defense matters were complex and manifold. Undoubtedly, they were rooted in the interest of providing the UK a more significant role in EU affairs. Franco-German domination in EU affairs gained a new impetus with the introduction of the EMU and the euro, as well as through the implementation of the Schengen regime. Thus, more active British participation in the EU’s CFSP was intended to compensate for Britain’s non-participation in the EMU and the Schengen Agreements.<sup>126</sup>

At the semiannual NATO foreign ministers’ meeting in Brussels, Secretary of State Madeleine Albright gave the first, quick U.S. response to St. Mâlo by reaffirming enthusiastic U.S. support for such actions that enhance European capabilities while, at the same time, setting out the U.S. position in the so-called “three D’s.”<sup>127</sup> In the American view, the design of ESDP should avoid: unnecessary “duplication” of existing NATO efforts and capabilities, “decoupling”

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<sup>125</sup> Jolyon Howorth. “European Integration and Defence: The Ultimate Challenge?” *WEU Institute for Security Studies*. Chaillot Paper 43.

<sup>126</sup> Pál Dunay, “U.S.-EU Relations after the Introduction of the Euro and the Reinvention of European Security and Defence”, *Geneva Centre for Security Policy*, Occasional Paper Series 2000.

<sup>127</sup> Remarks by the Secretary Madeline Albright at the North Atlantic Council ministerial meeting, Brussels, December, 1998. available online at: [http://www.fas.org/man/nato/offdocs/us\\_97/97121611\\_wpo.html](http://www.fas.org/man/nato/offdocs/us_97/97121611_wpo.html). Accessed 12 April 2005.



of Europe's security from that of its North American Allies, and “discrimination” against those Allies who are not EU members.<sup>128</sup>

Paraphrasing this approach, NATO Secretary General Lord Robertson has come up with the “three I’s” formulation, which might better reflect the recent developments in the NATO-EU relations. These stand for “indivisibility” of the trans-Atlantic link, “improvement” of capabilities, and “inclusiveness” of all Allies by parallel enlargement processes.

The terrorist attacks of 9/11 against the U.S., shortly followed by the disunity over Iraq, had a tremendous effect on the ESDP development. They have effectively neutered EU foreign policy chief Javier Solana and hampered the ongoing efforts to draft the constitution for an enlarged EU and build a closer common foreign and security policy. According to Maartje Rutten:

not only does it largely de-rail the ESDP plans (strategy, goals, geographic limits and character of possible operations, military and civil means, etc) but international anti-terrorism coalition-building and the military campaign in Afghanistan have put EU commonality under significant strain, putting the CFSP/ESDP acquis in danger.<sup>129</sup>

The EU-NATO Declaration on the ESDP in December 2002 provides a formal basis for cooperation between the two organizations in the areas of crisis management and conflict prevention. The EU and NATO agreed on a framework for permanent relations, allowing the EU access to NATO assets for crisis management. The declaration is intended to ensure that the crisis management activities of the EU and NATO are mutually reinforcing, but preserves the autonomy of each. Specifically, the EU agrees to the “fullest possible

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<sup>128</sup> Strobe Talbott, “The State of the Alliance: An American Perspective” *NATO Speeches*, available online at: <http://www.nato.int/docu/speech/1999/s991215c.htm>. Accessed 11 April, 2005.

<sup>129</sup> Maartje Rutten, “From Nice to Larken; European Defence Core Documents”, Vol II, Challiot Papers, No. 51, April 2002, available online at: <http://www.iss-eu.org/challiot/chai51e.pdf>. Accessed 20 April 2005.

involvement” of non-EU members of NATO within ESDP and NATO agrees to support ESDP by giving the EU “assured access to NATO's planning capabilities.”<sup>130</sup>

Along the NATO-EU relation, both sides have learned over many years of trial and error to work effectively together in critical and unprecedented ways. The controversy over their cooperation versus competition is highly contextual and far from having a simple answer. In fact, it is an all but false conflicting relation, since cooperation does not exclude competition. On the contrary, the two might have positive effects reinforcing each other.

It is almost a cliché that relations between ESDP and NATO are of fundamental importance to the future direction of both bodies. ESDP needs NATO to provide access both to military instruments and to planning facilities. NATO needs ESDP because a coordinated and stronger European capacity is of greater use to the Alliance than a disparate and uncoordinated one.<sup>131</sup>

Currently, there are two important aspects that remain to be resolved in the transatlantic partnership. They refer to the longstanding dispute over power versus burden sharing and the quest for EU to build up capabilities.

## **2. Power versus Burden Sharing**

In the late 1980s, during the Cold War, the U.S. was spending around 7 percent of its GDP on defense. Today, it spends a little over 3 percent on defense with the perspective of increasing to 4 percent, meaning a defense budget in excess of \$500 billion per year.<sup>132</sup> By comparison, average European defense budgets have gradually fallen below 2 percent of GDP.

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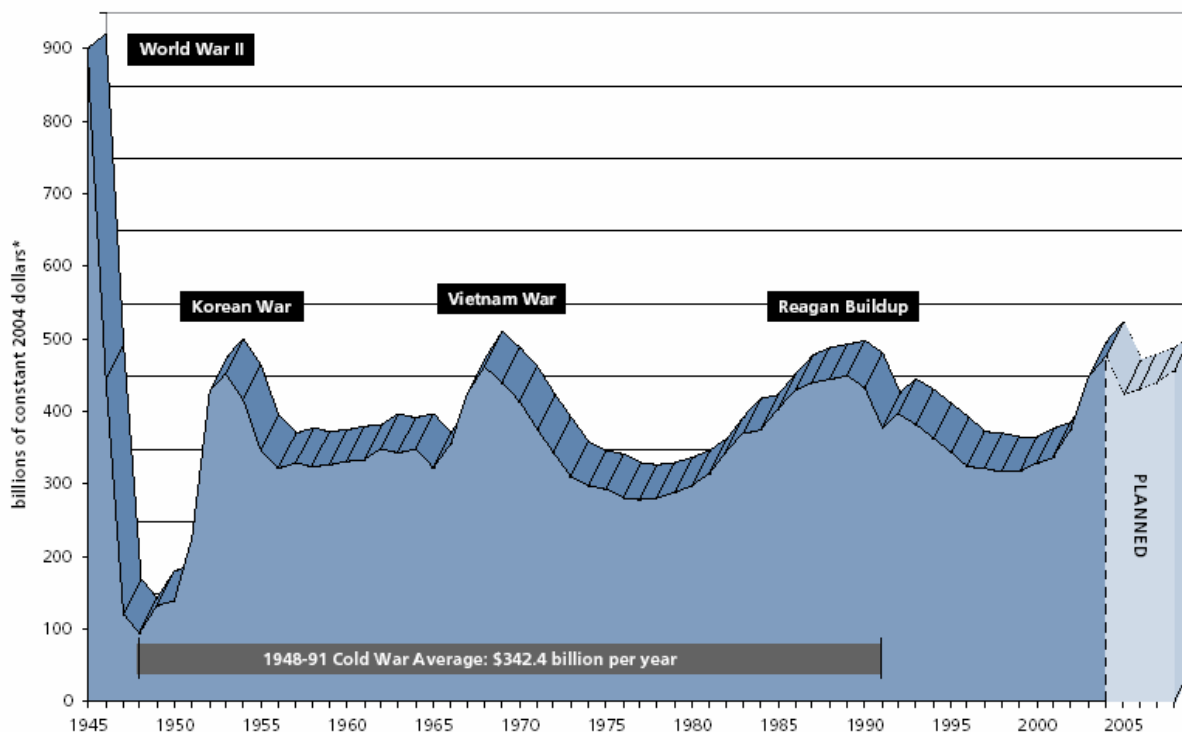
<sup>130</sup> Jean-Yves Haine, “From Larken to Copenhagen; European Defence Core Documents”, Vol III, Chailiot Papers, No. 57, February 2003, available online at: <http://www.iss-eu.org/chailiot/cha57e.pdf>. Accessed 20 April 2005.

<sup>131</sup> Jolyon Howorth, Saint Malo Plus Five: An Interim Assessment of ESDP”, Policy Papers No. 7, November 2003.

<sup>132</sup> Robert Kagan, “Power and Weakness” Policy Review, No. 113, July 2002, available online at: <http://www.policyreview.org/JUN02/kagan.html>. Accessed 17 April 2005.

After 9/11, the U.S. military expenditures followed an upward trend, reaching the high levels of the Korean War, Vietnam War and the Reagan Buildup in the late 90's. The U.S. spending has risen from \$296 billion in 1997 to \$336 billion in 2002 and \$379 billion in 2003.<sup>133</sup>

In Figure 5, it is easy to observe the pattern under which high military buildup occurs in the U.S. at approximately every 20 years. This frequency might be one of the reasons why American weapons systems are at least a generation of technology ahead of its allies and around two generations ahead of any likely state adversaries.



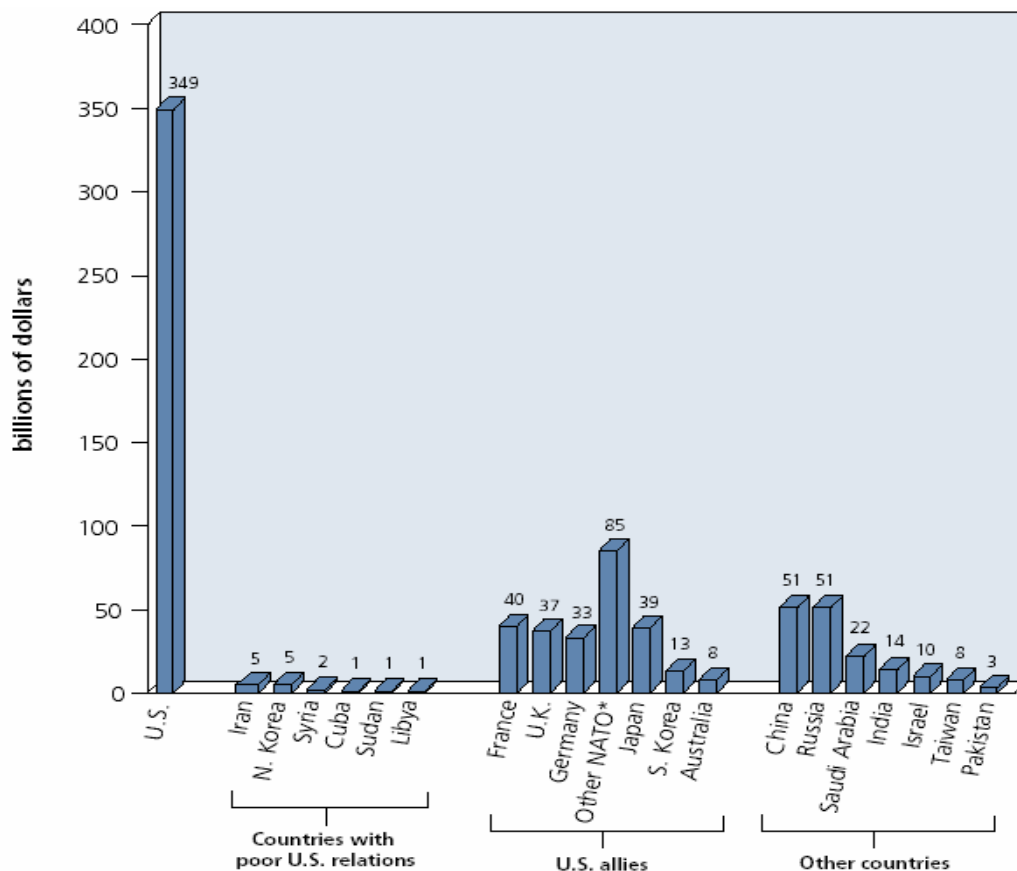
**Figure 5. U.S. military spending, Fiscal Years 1945-2008**<sup>134</sup>

<sup>133</sup> Thalif Deen, "U.S. Accounts for Global Surge in Military Spending" August 2004, available online at: <http://www.antiwar.com/ips/deen.php?articleid=3319>. Accessed 15 April 2005.

<sup>134</sup> From: The Defense Monitor No. 5, *Center for Defense Information*, December 2003, available online at: <http://www.cdi.org/news/defense-monitor/dm.pdf>. Accessed 20 April 2005.

Moreover, this gap seems to be growing, thus raising serious concerns about interoperability with the Allies.<sup>135</sup> Some experts argue that the difference in the technological level of the U.S. versus European armies is such that if Europe does not catch up quickly, the two militaries will not even be able to “communicate” properly.

Nowadays the U.S. accounts for about half of world military spending. In other words, it is spending nearly as much as the rest of the world combined. This huge difference is shown in Figure 6.



**Figure 6. Global military spending comparisons 2002.**<sup>136</sup>

<sup>135</sup> P.W. Singer, “New Thinking on Transatlantic Security: Terrorism, NATO and Beyond”, *Weltpolitik*, January 2003, available online at: <http://www.brook.edu/views/speeches/singer/20030115.htm>. Accessed 21 April 2005

<sup>136</sup> From: The Defense Monitor No. 5, *Center for Defense Information*, December, 2003, available online at: <http://www.cdi.org/news/defense-monitor/dm.pdf>. Accessed 20 April 2005.

In Table 2 the EU defense budgets from 2001 through 2004 in current U.S. dollars, and EU defense expenditure as a percentage of GDP from 2001 through 2003 are presented.

**Table 2. EU and U.S. Comparative Defense Budgets and Defense Expenditures as a Percentage of GDP 2001-2004.<sup>137</sup>**

EU Country	Defence Budget (bn of current US\$)				Defence Expenditure (percentage of GDP)		
	2001	2002	2003	2004	2001	2002	2003
United Kingdom	33.60	36.60	42.00	49.00	2.5	2.4	2.4
France	25.80	30.70	35.30	40.00	2.5	2.5	2.6
Germany	21.50	25.10	27.70	29.70	1.5	1.5	1.5
Italy	15.90	14.50	15.70	17.50	2.0	1.9	1.9
Spain	7.10	6.70	7.10	8.00	1.2	1.2	1.2
Netherlands	5.70	6.90	7.20	7.60	1.6	1.6	1.6
Sweden	4.10	4.60	5.50	5.90	2.1	1.9	1.8
Greece	3.40	3.60	3.60	3.70	4.6	4.3	4.1
Poland	3.40	3.50	3.90	4.40	2.0	1.9	2.0
Belgium	2.30	2.80	3.00	3.30	1.3	1.3	1.3
Denmark	2.10	2.20	2.60	2.90	1.6	1.6	1.6
Austria	1.50	1.80	2.50	2.70	0.8	0.8	1.0
Finland	1.40	2.10	2.30	2.60	1.2	1.4	1.4
Czech Republic	1.20	1.50	1.90	1.90	2.1	2.0	2.2
Portugal	1.60	1.70	1.90	2.10	2.1	2.3	2.1
Hungary	0.82	1.10	1.40	1.70	1.8	1.8	1.9
Ireland	0.79	0.78	0.80	0.86	0.5	0.6	0.5
Slovakia	0.35	0.46	0.62	0.72	1.7	1.9	1.9
Slovenia	0.28	0.27	0.38	0.46	1.4	1.2	1.4
Cyprus	0.35	0.26	0.29	0.15	2.6	2.4	2.3
Lithuania	0.17	0.27	0.27	0.31	1.8	1.8	1.8
Luxembourg	0.15	0.20	0.23	0.26	0.8	0.9	0.9
Latvia	0.08	0.11	0.19	0.23	1.0	1.3	1.9
Estonia	0.07	0.10	0.16	0.20	1.2	1.5	2.0
Malta	0.03	0.07	0.09	0.10	1.8	1.9	2.1
<i>EU-25 Total</i>					1.9	1.9	1.9
<i>EU-25 Average</i>					-	-	-
<i>LoI* Total</i>					2.0	1.9	1.9
<i>LoI* Average</i>					-	-	-
<i>United States</i>					3.0	3.3	3.7

<sup>137</sup> After: Burkard Schmitt, "Defense Expenditure" *Institute for Security Studies*, February, 2005, available online at: <http://www.iss-eu.org/esdp/11-bsdef.pdf>. Accessed 20 April 2005.

The data shows growing defense budgets in many of the EU countries. However, this trend must be interpreted with care. A comparison between the three largest spenders, using euros and pounds sterling instead of U.S. dollars, reveals that most of the apparent increases can be attributed to currency fluctuations. Over the period 2001-2004, the German defense budget actually remained constant, while in France and Britain, budgets grew at a much lower rate than the dollar figures suggest.

Irrespective of how budgets are calculated, it is clear that European defense spending trails far behind that of the U.S. In 2004, the U.S. spent more than twice as much on defense as the 25 EU members combined. By 2009, the U.S. defense budget is expected to surpass half a trillion dollars, signaling an even more widening transatlantic spending gap.

Moreover, U.S. defense spending is geared towards more modern and lethal weapons, as the U.S. spends about \$26,800 in defense R&D per soldier, as opposed to about \$4,000 in the EU.<sup>138</sup> As a result of this investment in extraordinarily expensive technology, the U.S. has full control of sea, air and ground. It is extremely unlikely that Europe can come even close to such a powerful military given the already heavy burden of its public sector.

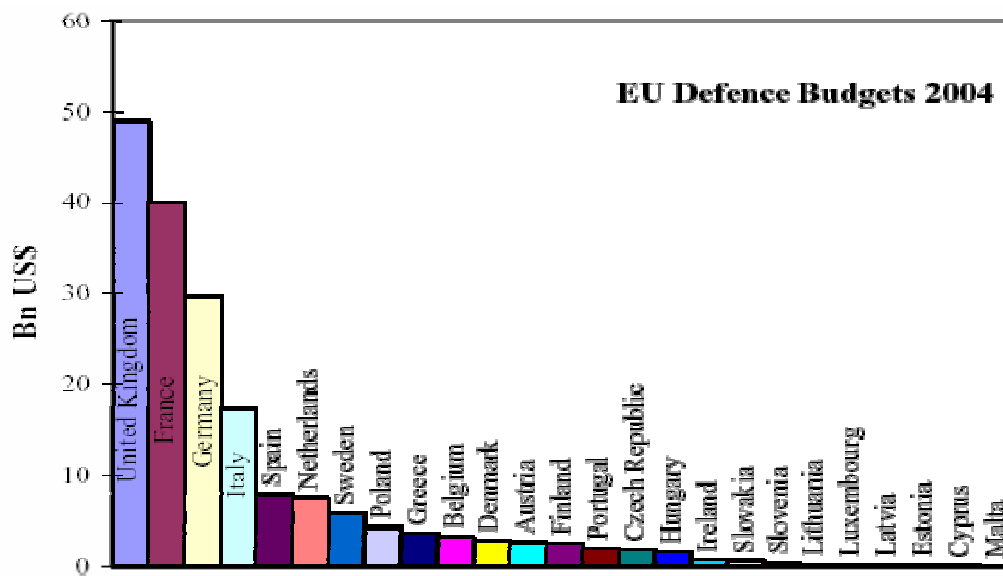
Defense spending is spread very unevenly across EU countries. The six most important arms-producing countries (the so-called Lol countries)<sup>139</sup> cover more than 80% of total EU defense spending and about 98% of military R&D expenditure.

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<sup>138</sup> Kori Schake, "Constructive Duplication: Reducing EU Reliance on U.S. Military Assets", Centr for European Reform, Working Paper, London 2002, Available online at: [http://www.cer.org.uk/pdf/cerwp12\\_cd.pdf](http://www.cer.org.uk/pdf/cerwp12_cd.pdf). Accessed 11 March 2005.

<sup>139</sup> Burkard Schmitt, "European and Transatlantic Defence-Industrial Strategies", *European Institute for Security Studies*, Paris, November 2002, available online at: <http://www.eusec.org/schmitt.htm>. Accessed 20 April 2005. The six major arms-producing European countries (France, Germany, Great Britain, Italy, Spain, and Sweden) have established their own rules on transfers and exports for cooperative programmes that remain completely outside of the EU framework (the Letter of Intent, or Lol).

On the other hand, the combined budget of the ten new member states is only about 5.8 percent of the former EU-15's budget. Even among the Lol countries, differences are significant, with the UK, France, Germany and Italy far ahead of the others, as presented in Figure 7.



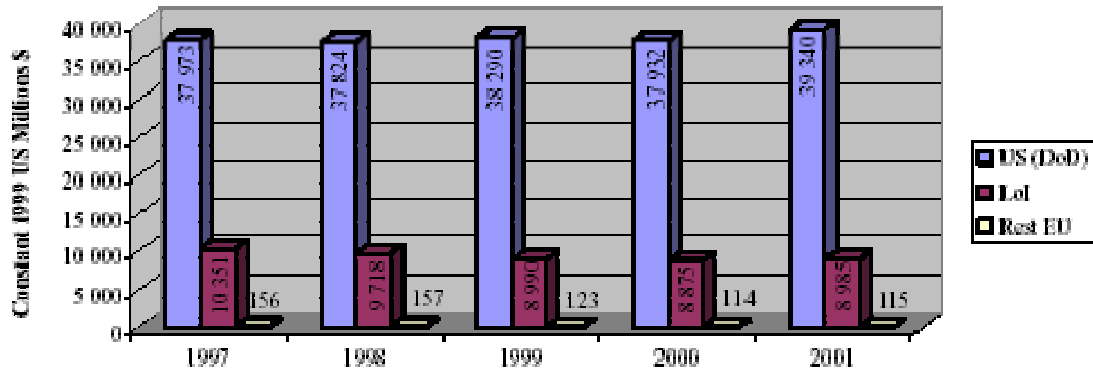
**Figure 7. EU Defence Budgets 2004.**<sup>140</sup>

Finally, budget numbers do not tell the whole story. The structural differences between the U.S. and European defense markets play at least as important a role. Due to fragmented defense markets and disparate procurement policies, European countries are burdened by costly duplication. As a consequence, the EU as a whole receives much less value in exchange for its military spending than the U.S.

Furthermore, the share of investment (procurement and R&D spending) in most EU countries is relatively low in comparison to operating costs. Figure 8

<sup>140</sup> From: Burkard Schmitt, "Defense Expenditure" *European Institute for Security Studies*, February, 2005, available online at: <http://www.iss-eu.org/esdp/11-bsdef.pdf>. Accessed 20 April 2005.

illustrates the downward trend in R&D spending by 15 EU countries in comparison with the upward trend in the U.S.



**Figure 8. Research and Development of U.S., Lol and the rest of the EU.<sup>141</sup>**

The data presented above show that at least in material terms, the U.S. has the ability to shoulder the burden of maintaining global security without much help from Europe. Despite unprecedented high budget deficits,<sup>142</sup> the U.S. economy is strong enough to sustain its current military spending levels and its current global dominance far into the future.

The fact that the U.S. is unlikely to reduce its power and that Europe is unlikely to increase more than marginally its own power or the will to use what power it has, might create premises for further increased transatlantic tensions.

In this context, the debate on more burden sharing is a longstanding one. It became a cliché for American Euroskeptics to accuse the Europeans of being free riders on American-provided security. For their part, Europeans consider this charge inaccurate in the broader context. It is undeniable that European NATO

<sup>141</sup> From: Burkard Schmitt, "Defense Expenditure" *European Institute for Security Studies*, February, 2005, available online at: <http://www.iss-eu.org/esdp/11-bsdef.pdf>. Accessed 20 April 2005.

<sup>142</sup> "Bush administration records second-straight record gap", *Reuters*, October 2004, available online at: <http://www.msnbc.msn.com/id/6249895/>. Accessed 11 April 2005. The U.S. budget gap expanded to \$412.55 billion in fiscal 2004.



members spend, together, only the equivalent of 66 percent of the U.S. defense budget. However, the real European contribution to the world's security is far higher if all costs are considered.<sup>143</sup>

In the years after the Berlin Wall fell, three-quarters of Western economic and financial assistance to Russia and the countries of Central and Eastern Europe came from the EU. Half of the international aid to the West Bank and Gaza from 1994 to 1997, designed to boost the Middle East peace process, came from Western Europe, in contrast to only 10 percent from the U.S.<sup>144</sup> Moreover, European contributions to international organizations and economic development in the poorest states of Africa and South Asia far exceed the shrinking U.S. share.

The key issue remains the balance between U.S. support for ESDI (within NATO) versus European support for greater "autonomy" (under ESDP). From the EU perspective, power and burden sharing go hand in hand. If the EU is to develop its own military capability, it wants the power to decide when, where and how to use it.

Washington, on the other hand, has put its emphasis on "burden" without "power" sharing. American concerns stem from the 1956 Suez crisis in which President Eisenhower was taken by surprise during an election year by British-French-Israeli military actions taken against Egypt.<sup>145</sup> The present fear is that the EU could, once again, act on its own without American knowledge or permission.

Constant repetition of the claim that Europe should pay more is one of the most corrosive elements in American criticism. European governments are deeply conscious of the value of the American-led NATO framework and are far

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<sup>143</sup> William Wallace & Jan Zielonka, "Misunderstanding Europe", Foreign Affairs, New York, November/December 1998, available online at: <http://www.foreignaffairs.org/19981101faessay1433/william-wallace-jan-zielonka/misunderstanding-europe.html>. Accessed 23 December 2004.

<sup>144</sup> Ibid.

<sup>145</sup> Tom Cooper, "Middle East Database" September 2003, available online at: [http://www.acig.org/artman/publish/article\\_256.shtml](http://www.acig.org/artman/publish/article_256.shtml). Accessed 19 April 2005.

from breaking the transatlantic link. Still, there is increasing irritation that what the U.S. really demands is that “the Europeans pay for U.S. hegemony.”<sup>146</sup>

### **3. Bridging the Capabilities Gap**

As affirmed by the ESS, the EU is a global actor, ready to share in the responsibility for global security. With the adoption by the European Council in December 2003 of the European Security Strategy, the EU affirmed the role it wants to play in the world, supporting an international order based on effective multilateralism.<sup>147</sup> The ESS has since become the framework for examining further developments in ESDP. The ESS is, in effect, a pre-strategic concept underlining the need for the EU to strengthen the ESDP and defining clear guidelines regarding why the EU will act, as well as when, how and where.<sup>148</sup>

Currently, the EU's ESDP faces two major and interrelated challenges: the insufficient defense budgets of the EU member states, and the capability gap between the EU member states and the U.S. With respect to the latest, many observers emphasize that there are three priorities in NATO's transformation and ESDP's development: firstly capabilities, secondly capabilities and thirdly capabilities.<sup>149</sup>

Concern about Europe's military weakness came to the forefront in the 1990s when it was unable to prevent civil war in the Balkans. It was long acknowledged that the failure to boost capabilities would not only damage

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<sup>146</sup> William Wallace & Jan Zielonka, “Misunderstanding Europe”, Foreign Affairs, New York, November/December 1998, available online at: <http://www.foreignaffairs.org/19981101faessay1433/william-wallace-jan-zielonka/misunderstanding-europe.html>. Accessed 23 December 2004.

<sup>147</sup> “European Security Strategy, “A Secure Europe in a Better World”, Brussels, December 2003, available online at: <http://ue.eu.int/uedocs/cmsUpload/78367.pdf>. Accessed 19 March 2005.

<sup>148</sup> Julian Lindley, “Europe's Security and Defence in the 21<sup>st</sup> Century; The Future of the ESDP”, *Centre for Politics and Security*, Paris, 2004, available online at: [http://www.assembly-weu.org/en/presse/articles/ABC\\_final\\_inside.pdf](http://www.assembly-weu.org/en/presse/articles/ABC_final_inside.pdf). Accessed 19 April 2005.

<sup>149</sup> Speech by Dr. Michael Schaefer, “NATO and ESDP: Shaping the European Pillar of a Transformed Alliance” *German Federal Foreign Office*, 15 March 2004, available online at: [http://www.auswaertiges-amt.de/www/en/laenderinfos/laender/laender\\_ausgabe\\_archiv?land\\_id=188&a\\_type=Speeches&archiv\\_id=5500](http://www.auswaertiges-amt.de/www/en/laenderinfos/laender/laender_ausgabe_archiv?land_id=188&a_type=Speeches&archiv_id=5500). Accessed 18 April 2005.

transatlantic relations, but also Europe. In this context, the establishment in 2004 of the European Defence Agency was aimed at sustaining ESDP by supporting EU's efforts in improving its defense capabilities.

The initiatives from the newly created EDA represent the EU's first step in military R&D. They are aimed at transforming the EU from being solely a political power, in charge of policies such as agriculture and trade, to a military one, capable of sending troops around the world to enforce a foreign policy agreed to by its member states. As declared by Nick Witney, the British chief executive of EDA:

Europe does not have the defense capabilities that it ought to. I want to see what we can do to get more bang for the buck than is already provided and I am sure we can go a long way applying all the separate defense lines across Europe more coherently.

[...] When you think that we have two million men and women under arms in Europe and you link that to €160 billion (£115 billion) of defense expenditure across Europe it suggests money is not being well spent.<sup>150</sup>

Moreover, because countries are duplicating armed forces, the EU has:

too much of the old expensive platform assets. We probably have collectively too many fighter aircraft, too many naval hulls, too many battle tanks.<sup>151</sup>

This reality is proved by the data in Table 3 below. It is clear that the disproportion in military spending between the U.S. and its allies is further reflected in the breakdown structure of their military capabilities. With the exception of France, Germany and the United Kingdom, all other Allies<sup>152</sup> have modest capabilities, which pooled together, come close to the U.S.

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<sup>150</sup> Anthony Browne, "High-tech Weapons help Europe close military gap with U.S.", *The Times*, London, March 2005, available online at: <http://www.timesonline.co.uk/article/0,,13509-1506532,00.html>. Accessed 23 April 2005.

<sup>151</sup> Ibid.

<sup>152</sup> Other NATO includes: Belgium, Canada, Czech Republic, Denmark, Greece, Hungary, Iceland, Italy, Luxemburg, Netherlands, Norway, Poland, Portugal, Spain and Turkey.

**Table 3. Strength of the U.S. and Allies.**<sup>153</sup>

U.S. & ALLIES								
	Active Duty Personnel	Reserve Personnel	Heavy Tanks	Armored Infantry Vehicles	Airplanes	Helicopters	Warships	Major Amphibious, Mine, & Support Ships
U.S.	1,427,000	1,237,700	8,023	23,661	10,646	5,772	190	186
France	259,050	100,000	614	4,084	1,291	581	34	53
Germany	284,500	358,650	2,398	5,378	658	657	25	61
U.K.	212,660	272,550	543	4,753	953	647	49	51
Other NATO*	1,538,110	1,963,380	11,027	21,448	4,640	2,198	172	377

EU needs forces, which are more flexible, mobile and interoperable, making better use of available resources by pooling and sharing assets, where appropriate, and increasing the responsiveness of multinational forces. Thus, interoperability, deployability and sustainability are at the core of member states efforts and will be the driving factors of their headline goal.

In the perspective of taking on new peacekeeping responsibilities, EU governments are becoming more ambitious in the types of soldiers and equipment their armed forces should have. In April 2004, European defense ministers agreed that, by 2007, the EU should be able to use nine battle groups, each consisting of 1,500 troops, and deploy them within two weeks.

EU defense ministers have also signed up to capabilities in the Headline Goal 2010. This plan commits them to acquire various sorts of equipment, such as transport planes, unmanned aircraft and precision-guided missiles by 2010.<sup>154</sup> In a strategy to become a military superpower and close the defense technology

<sup>153</sup> After: "The Defense Monitor" No. 5, *Center for Defense Information*, December, 2003, available online at: <http://www.cdi.org/news/defense-monitor/dm.pdf>. Accessed 20 April 2005.

<sup>154</sup> "Implementing the defence aspects of the European Security Strategy: the Headline Goal 2010", *European Security Review*, No. 23, June 2004, available online at: <http://www.isis-europe.org/ftp/Download/ESR%2023-Headline%20Goal%202010.pdf>. Accessed 9 April 2005.

gap with the U.S., EU is to develop its airlifting capabilities, unmanned drones, new armored vehicles and advanced communication systems.<sup>155</sup>

European defense capabilities have been severely hampered by the failure to exploit economies of scale, with the result that the U.S. defense spending achieves a far greater “bang for its buck.” In order to help close the capabilities gap between the U.S. and EU, a transatlantic industrial initiative, the so-called Transatlantic Industrial Proposed Solution (TIPS), was initiated by three consortiums: European Aeronautic Defence and Space (EADS), Galileo Avionica and Northrop Grumman.

Their White Paper, addressed to NATO in April 2002, promotes a joint concept definition, an acceptable technology access matrix, a combined legal and business arrangement, integrated working groups and work share for the industry of all 19 NATO member states as well as guarantee of interoperability with national systems and re-use of high technology for national programs. TIPS declared that within the Atlantic Alliance, 54 companies are already showing their interest for this transatlantic defense cooperative program. This industrial initiative aims at a new approach for future transatlantic cooperation where Europeans should not just spend more money in military capabilities, but spend their money better.<sup>156</sup>

### **C. THE RISKS OF THE NATO-EU “DOUBLE ENLARGEMENT”**

The end of the Cold War gave new opportunities to both NATO and the EU to spread east and extend the economic, political and security benefits to a

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<sup>155</sup> Anthony Browne, “High-tech Weapons help Europe close military gap with U.S.”, *The Times*, London, March 2005, available online at: <http://www.timesonline.co.uk/article/0,,13509-1506532,00.html>. Accessed 23 April 2005.

<sup>156</sup> Nannette Buhl, “Reinventing Global Security”, NATO's Nations and Partners for Peace, Uithoorn, 2003. Vol.48, available online at: <http://proquest.umi.com/pqdweb?index=1&did=538867781&SrchMode=1&sid=1&Fmt=4&VInst=P&ROD&VType=PQD&RQT=309&VName=PQD&TS=1114452328&clientId=11969>. Accessed 15 March 2005.

wider area. The 1999 and 2004 waves of NATO enlargement and the EU expansion from 15 to 25 members in 2004 represent a great step forward for peace and security.

Despite intensified efforts, NATO and the EU have not yet formulated a coherent and concerted political-military strategy that thoroughly takes into consideration the rapidly changing parameters of post-Cold War European security. The expansion of NATO and EU membership has not been fully coordinated and has not taken into consideration all the potentially dangerous geo-strategic and political-economic ramifications of that "double enlargement."<sup>157</sup>

As the art of warfare in the 21st century will most likely be characterized by increased reliance on land and sea-based cruise and ballistic missiles, anti-missile systems and satellite communications, among other high tech non-conventional military capabilities, neither NATO nor EU enlargement processes thoroughly address the key strategic-nuclear threats to European security.

By this token, NATO may have a hard time balancing its resources between its original mission of collective defense and its new interests in peacekeeping. Moreover, both NATO and the EU have been focusing largely on crisis management rather than on implementing a militarily integrated system of crisis prevention for the entire Euro-Atlantic region.

### **1. The Issue of Russia, Ukraine and Belarus**

The only premise that NATO and EU could expand their membership, without resulting in the potential alienation of non-NATO non-EU members, including Russia, Belarus, and Ukraine, was for NATO, the EU, and Russia to work in concert through the auspices already established by the Partnership for Peace (PfP) and Euro-Atlantic Partnership Council (EAPC) backed by overlapping NATO, EU, and Russian security guarantees, that ultimately work to bring Russia into both NATO and the EU as a "full" member.

<sup>157</sup> Hall Gardner, "NATO and the EU: The Risks of the Double Enlargement", International Department American University of Paris, January 2001, available online at: <http://www.strategicsinternational.com/enatoeu.htm>. Accessed 25 March 2005.

In his Aachen address on June 2, 2000, the former U.S. President Bill Clinton proposed a long-range plan for an expanded Euro-Atlantic community that would incorporate Russia as a member of both NATO and the European Union. The President argued:

Because the stakes are so high, we must do everything we can to encourage a Russia that is fully democratic and united in its diversity. [...] That means no doors can be sealed shut to Russia - not NATO's and not the E.U.'s. The alternative would be a future of harmful competition between Russia and the rest, and the end of our vision of an undivided continent.

On the other hand

If (Russia decides that it has no interest in formally joining European or transatlantic institutions), we must make sure that, as the EU and NATO expand, their eastern borders become gateways to Russia, not barriers to trade, travel, and security cooperation.<sup>158</sup>

The double, yet largely uncoordinated, expansion of NATO and the EU risked the formation of exclusive geo-strategic and political economic blocs that are potentially capable of diverting trade away from non-EU non-NATO members, resulting in the potential isolation and alienation of the latter.

Moreover, as already proven by the examples of Bosnia, Albania, and Kosovo, NATO or EU members could easily be drawn into a number of potential crises throughout Central and Eastern Europe if the double enlargement alienates Russia and other non-NATO non-EU members, and if each regime expands without coordination into regions with significant irredentist claims and counter-claims.

As Russian Ambassador Vassily Likhachev put it, Russia does not oppose the formation of ESDP "as long as they do not create new dividing lines in Europe."

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<sup>158</sup> President Clinton, Speech after receiving the International Charlemagne Prize, on 2 June 2000 in Aachen, Germany.

NATO-Russia dialogue was formalized in 1997 with the ratification of the Founding Act.<sup>159</sup> This document acknowledged that the two were no longer adversaries and marked the beginning of a new phase in NATO-Russia relations. The establishment of the NATO-Russia Council (NRC) in May 2002 was a step forward in finding common ground and working together toward a satisfactory outcome between the two sides.

Russia has barely digested NATO enlargement into Central Europe, as well as the war over Kosovo, but it has warned that the full integration of the Baltic states into NATO's command would represent a "casus belli."<sup>160</sup> Of particular concern, from the Russian perspective, was the fact that NATO and EU membership for the Baltic states could eliminate its right of transit to Latvia and the other Baltic states (which are still to a large extent dependent upon Russian trade and oil) and to Russian Kaliningrad, and thus limit its window to the western world. This would push Moscow in a counter-alliance with those Eastern European states not entering NATO in addition to an alliance with China and India.

Despite improved dialogue, NATO and Russia have yet to resolve their disagreements over provisions of the CFE treaty, the continued presence of Russian military forces in Georgia and Moldova, and the conflict in Chechnya.<sup>161</sup> The Rome Summit in May 2002 was an opportunity to strengthen cooperation in critical areas such as Crisis Management, Terrorism, Non-proliferation, Arms Control/Confidence-Building Measures, Theater Missile Defense, Search and

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<sup>159</sup> NATO Basic Texts, "Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation", available online at: <http://www.nato.int/docu/basictxt/fndact-a.htm>. Accessed 12 April 2005.

<sup>160</sup> Reason for war.

<sup>161</sup> NATO Basic Texts, "NATO-Russia Relations: A New Quality - Declaration by Heads of State and Government of NATO Member States and the Russian Federation", available online at: <http://www.nato.int/docu/basictxt/b020528e.htm>. Accessed 10 April 2005.



Rescue at Sea, Mil-to-Mil Cooperation and Defense Reform, Civil Emergencies, and New Threats and Challenges.<sup>162</sup>

Nevertheless, relations between NATO and Russia are influenced by the new NATO members, as they still have first-hand memories of political and cultural oppression, economic dependence and the invasion of several countries by Soviet tanks. They hope it will become easier to deal with Russia, in economical as well as in political terms, once they can do so within the EU framework, rather than through bilateral talks.

## **2. The Issue of Turkey**

A number of disputes continue to divide the U.S. and EU perceptions that could prove problematic in the not so long run. Among these include Turkish-Greek tensions over Cyprus, which have been complicated by steps taken by Cyprus to enter the EU. There has additionally been little incentive for Turkey to support new NATO members in Central and Eastern Europe unless Ankara is granted closer ties with the EU, and unless the significant internal and external security concerns facing Turkey are adequately addressed by the U.S. and EU.

Washington fears that Turkey may turn towards radical pan-nationalism or pan-Islam if it is not soon brought closer to the new Europe. The EU, on the other hand, did not regard Turkey as strategically important following the break-up of the Soviet Union.

The EU demanded that Turkey begin to engage in significant political, economic, and legal reforms. These affect the treatment of minorities, civil-military relations, intervention by the Turkish army in politics, the practice of torture in police stations, imprisonment of peaceful Kurdish-rights activists, and the dire state of the economy and human rights if it is to enter the EU.<sup>163</sup>

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<sup>162</sup> NATO Summit Meetings, "Summit Meeting of NATO and Russia at the Level of Heads of State and Government", May 2002, available online at: <http://www.nato.int/docu/comm/2002/0205-rome/0205-rome.htm>. Accessed 12 April 2005.

<sup>163</sup> Hall Gardner, "NATO and the EU: The Risks of the Double Enlargement", International Department American University of Paris, January 2001, available online at: <http://www.strategicsinternational.com/enatoeu.htm>. Accessed 25 March 2005.

Additional concerns have been raised that a more "autonomous" EU could cut the interests of non-EU member state interests, such as Turkey, out of the decision-making process. The U.S. has pressured the EU to accept the Turkish application to join the EU, while Turkey has threatened to veto any "autonomous" European actions in which Turkey has not been properly consulted.

### **3. The Impact of the New Members**

Departing from the limited conception of an ESDI within NATO, the current ESDP is projected to be relatively more autonomous in relations to NATO. Consequently, it has been feared that the EU could act under the ESDP without the advice and consent of the U.S. and other non-EU states. This issue is all the more problematic in avoiding a clash of interests and policy options between EU members and NATO members.

Therefore, the two organizations have coordinated their enlargement so that EU aspirant members should first become NATO full members.<sup>164</sup> At the Prague NATO Summit in November 2002, member states agreed to take in seven former communist states.<sup>165</sup> This second wave of NATO enlargement was followed in December 2002 by the Copenhagen European Council decision to enlarge the union to 25 members including the new NATO members.<sup>166</sup>

The enlargement process is bringing pro-Atlanticist countries into the EU. The new members want a strong transatlantic alliance, but on most foreign policy issues, they support a European approach. On defense, however, they are confirmed Atlanticists. They all joined NATO enthusiastically, and see the U.S. as the guarantor of security in Europe.

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<sup>164</sup> Robert E. Hunter, "The European Security and Defense Policy: NATO's Companion or Competitor?", *Rand Publications*, 2002.

<sup>165</sup> The second wave of NATO enlargement included: Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia.

<sup>166</sup> "ESDP - Facts and figures", *German Council on Foreign Relations*, 2004, available online at: <http://www.dgap-summerschool.de/en/ESDP/>. Accessed 19 April 2005. The new EU members of 2004 are: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

As a result, these countries will be very pro-American within NATO and their first priority is not to harm NATO. Even if their armed forces are small and in need of reform, the new members are trying to develop stronger “niche capabilities,”<sup>167</sup> such as Estonia’s de-mining experts, or the Czech Republic’s chemical and biological weapons specialists.

The newly enlarged EU is no longer a “rich country's club.” It has included a bloc of poor countries, with voting power strong enough to block action unless their interests are accommodated.<sup>168</sup> The U.S. views this enlargement process as:

an enormously positive event that will strengthen both the EU and the Transatlantic partnership.<sup>169</sup>

According to European Commission figures, average GDP per head in the ten accession countries is less than 40% of the EU average. Yet, income disparities as such do not impede the functioning of the single European market. In fact, economic integration is more beneficial if the participating countries are very different.

However, many in the current EU fear that the accession of these low-cost economies could create enormous economic pressure. In particular, they worry for example that cheap Polish or Czech exports could price Western European products out of the market; that Western European companies could divert much-needed investment to the East, where wages are much lower; or that a

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<sup>167</sup> The concept of niche capabilities floated before the Prague Summit, and it is considered one of the Alliance’s keys to success in continuing its transformation to deal with the new challenges of the twenty first century. From developing specific military capabilities both NATO and the country benefit from reducing the costs by avoiding unnecessary duplication of capabilities.

<sup>168</sup> Steven Weber & John Zysman, “Why the Changed Relation between Security and Economy will Alter the Character of the Europe Union”, available online at: <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1052&context=brie>. Accessed 25 March 2005.

<sup>169</sup> Ambassador Schnabel, “On the Future of U.S.-EU Relations”, March 2004, available online at: <http://www.coleurop.be/content/news/speeches/Speech%20Schnabel.pdf>. Accessed 21 April 2005.

massive influx of low-wage workers could add to existing unemployment queues in countries such as Germany and France.<sup>170</sup>

Therefore, both NATO and EU enlargement could have problematic effects, in the sense of creating false expectations for the new members. In part, this is due to the fact that the double enlargement is taking place at a time when the economies of new members can hardly afford defense modernization, given the need to develop their relatively less advanced economies, and reflected by the decrease in their defense expenditures.

For most Central European countries, the key issue remains the economy and the long drive to raise living standards to Western European levels. The regions' economies have serious weaknesses with an unemployment rate averaging 14 percent. Governments are struggling to control welfare and spending and budget deficits.

Ultimately, the East Europeans will judge the success or failure of NATO and EU membership largely by its impact on their pockets.<sup>171</sup> It does not come as a surprise that a Eurobarometer poll showed that levels of satisfaction with the EU are generally lower in Eastern than in Western Europe.

Although the Eastern European countries tend to grow faster than the current EU members, the income gap between the two groups of countries will narrow only slowly. Economists assume that on current trends, it would take the new members some decades to even it out.<sup>172</sup> The estimation by the Economist Intelligence Unit of the years needed to catch up is presented in Table 4.

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<sup>170</sup> Katynka Barysch, "Bridging the Gap", *e!Sharp*, June 2003, available online at: [http://www.cer.org.uk/articles/barysch\\_esharp\\_jun03.html](http://www.cer.org.uk/articles/barysch_esharp_jun03.html). Accessed 12 March 2005.

<sup>171</sup> "Economic growth is surging for central European countries in the wake of their accession to the EU, while worries of meddling by Moscow come as a reminder of the political advantages of membership, writes Stefan Wagstyl", *Financial Times*, February 2005.

<sup>172</sup> Heather Grabbe, "The Constellations of Europe", *Centre for European Reform*, 2004.

**Table 4. The outlook for convergence.<sup>173</sup>**

	<b>Baseline Growth Projection</b>	<b>Years to catch up with the EU 15 average</b>
Bulgaria	2.8	63
Cyprus	3.1	21
Czech Republic	3.1	39
Estonia	4.5	31
Hungary	3.0	34
Latvia	3.0	58
Lithuania	2.9	53
Malta	3.4	29
Poland	2.9	59
Romania	2.6	80
Slovakia	3.2	38
Slovenia	3.1	31

Some hope that Union money, in particular the structural funds for regional development, will fuel catch-up growth in Eastern Europe. The Union has earmarked a total of €42.6 billion for the new members in its current 1999-2006 budget, but there are current challenges over the budget allocation.

The new members want a larger share in regional aid in 2007 while current recipients, headed by Spain, are defending their allocation. The new members will get between €200 and €500 per head at most in 2004-06, compared with €1,000-1,500 in Ireland, Greece and Spain during the last budget period.<sup>174</sup>

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<sup>173</sup> After: "Europe Enlarged: Understanding the Impact" *Economist Intelligence Unit*, 2003.

<sup>174</sup> After: Heather Grabbe, "The Constellations of Europe", *Centre for European Reform*, 2004.

Yet, there is concern that the new members may not be able to use all the money allocated to them in the budget. Past experience shows that all the previous newcomers have had trouble absorbing EU funds in the first years after joining.

On the whole, as presented in Table 5, the impact of enlargement on the current EU will be negligible, simply because the economies of the acceding countries are so small. Taken together, they amount to no more than 5 percent of the current EU (if measured at current exchange rates).

**Table 5. Economic conditions in the new member states.<sup>175</sup>**

<b>Country</b>	<b>Population (millions)</b>	<b>GDP € billion</b>	<b>GDP per capita as a percent of EU average</b>	<b>Employment rate percent</b>
Cyprus	0.7	13	80	69
Czech Republic	10.2	136	57	65
Estonia	1.4	13	42	62
Hungary	10.2	121	51	57
Latvia	2.4	18	33	60
Lithuania	3.5	31	37	60
Malta	0.4	5	55	55
Poland	38.6	356	40	52
Slovakia	5.4	60	48	58
Slovenia	2	32	69	57
EU-15	377	8,830	100	64

Last but not least, it should not be overlooked the fact that the enlargement process has been based on the assumption that EU candidates,

<sup>175</sup> From: Katinka Barysch, "Does enlargement matter for the European Union economy?", *Centre for European Reform*, London, May 2003, available online at: [http://www.cer.org.uk/pdf/policybrief\\_enlargement\\_economy.pdf](http://www.cer.org.uk/pdf/policybrief_enlargement_economy.pdf). Accessed 23 March 2005.

once accepted, will sign up for the whole *acquis communautaire*<sup>176</sup>, and therefore, become potential EMU members. However, if countries discover that the shift to a single currency is hurting their economies and that the new political arrangements are not to their liking, some of them might want to leave, exposing the whole zone to a very high risk.<sup>177</sup>

A new clause allows for the withdrawal of any member state without renegotiation of the Constitution or violation of treaty commitments. Under this clause, when a country notifies the Council of its intent to withdraw, a settlement is agreed upon in the Council with the consent of Parliament. If negotiations are not agreed upon within two years, the country leaves anyway.

The security and economic considerations presented above are likely to increase tensions over the process of the EU constitution ratification under way, not only within the EU, but also within the transatlantic framework.

#### **4. The Treaty Establishing a Constitution for Europe**

The constitutional treaty was signed in a ceremony at Rome on October 29, 2004. It brings together, for the first time, the many treaties and agreements on which the EU is based. The European Union will be made a super-state by its constitution, removing powers from member states and concentrating many of them in Brussels. It will create a legal personality, an unelected president, a foreign minister and diplomatic service, a judicial system, recognized external borders, a military capacity and a police force.

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<sup>176</sup> This is a French term meaning, essentially, “the EU as it is” – in other words, the rights and obligations that EU countries share. The “acquis” includes all the EU’s treaties and laws, declarations and resolutions, international agreements on EU affairs and the judgments given by the Court of Justice. It also includes action that EU governments take together in the area of “justice and home affairs” and on the Common Foreign and Security Policy. “Accepting the acquis” therefore means taking the EU as you find it. Candidate countries have to accept the “acquis” before they can join the EU.

<sup>177</sup> Martin Feldstein, “EMU and International Conflict”, *Foreign Affairs*, Vol 76, Issue 6, New York, December 1997, available online at: [http://web.nps.navy.mil/~relooney/3040\\_85.pdf](http://web.nps.navy.mil/~relooney/3040_85.pdf). Accessed 12 February 2004.

However, before it enters into force, the constitution must be ratified by each member state. In some aspects, like governments being reluctant to transfer sovereignty to Brussels, the ongoing ratification process leaves room for uncertainty. The process is likely to take around two years to complete.

Ratification takes different forms in each country, depending on its traditions, constitutional arrangements, and political processes. Lithuania, Hungary and Slovenia have already completed parliamentary ratification of the treaty.

In addition, the European Parliament has also approved the treaty by a huge majority. Ten of the 25 member states have announced their intention to hold a referendum on the subject. In some cases, the result will be legally binding; in others it will be only consultative.

On both sides of the Atlantic, critics of the Constitution point out that, compared to many existing national constitutions (i.e., the 4,600-word U.S. Constitution), the European Constitution is very long and complex, being: considered as:

an unreadable mish-mash of political correctness, micromanagement, bureaucratic jargon, artful ambiguity, deliberate obscurity, and stunning banality that somehow limps its way through some 500 pages.<sup>178</sup>

Proponents respond by stating that the document nevertheless remains considerably shorter and less complex than the existing set of treaties that it consolidates. Defenders also point out that it must logically be longer, since it is not an all-embracing, general constitution, but rather a document that precisely delineates the limited areas where the EU has competence to act over and above the competences of member states.

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<sup>178</sup> Andrew Stuttaford, "Constitutionally indisposed", *National Review*, February 2005, available online at: <http://www.nationalreview.com/stuttaford/stuttaford200502220745.asp>. Accessed 19 April 2005.



Even harsher critics expect that the European constitution will put the transatlantic relation into a different light. They affirm, “under such a regime, trans-Atlantic relations will be dealt a fatal blow.”<sup>179</sup>

First, trade will suffer under the protectionist regulations predicted as inevitable under a united Europe. Second, the constitution contains defense-related clauses that would much increase EU's legally binding power in security matters, leaving room for the idea of a European military capacity built as an alternative to NATO, outside its umbrella.

This could put the large number of NATO forces committed to Europe in limbo, and compromise future “coalitions of the willing.” There are concerns that

an EU military alliance and common foreign policy would cut across the obligations of the EU's NATO members, while ending the neutrality of its non-NATO ones.<sup>180</sup>

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<sup>179</sup> Martin Callanan, “Be wary of the EU constitution”, Washington Times, March 2005, available online at: <http://www.washtimes.com/commentary/20050301-085632-1395r.htm>. Accessed 17 March 2005.

<sup>180</sup> Martin Callanan, “Be wary of the EU constitution”, Washington Times, March 2005, available online at: <http://www.washtimes.com/commentary/20050301-085632-1395r.htm>. Accessed 17 March 2005.

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## V. CONCLUSIONS

### A. PREMISES FOR FUTURE TRANSATLANTIC COOPERATION

It has become more than a cliché that the U.S. and Europe share a set of common Western beliefs. Their aspirations for humanity are much the same, even if their vast disparity of power has now put them in very different places.

Relations between the U.S. and Europe have become strained in years past on issues ranging from the Middle East to trade protectionism, defense policies to diplomacy, terrorism to international treaties. Yet for all the differences, there is still more that unites than divides the two continents.

The controversy over Iraq pitted European countries against each other. It created major friction across the Atlantic and fueled the stereotype about the “irreconcilable differences” between America and Europe. At the same time, ideas of turning Europe into a “counterweight” to the U.S. have also surfaced.<sup>181</sup> However, the truth is that Europe has a priority in solving its integration problems and does not want to define itself in opposition to the U.S.

The U.S. and EU should return to the spirit that governed transatlantic relations since the inception of European unification after World War II, when the fundamental trace was active U.S. support for European integration:

The building of a strong, peaceful and prosperous Europe since World War II is one of the greatest triumphs of American diplomacy and the current success of European integration would have been unthinkable without America’s strong commitment to European security through NATO and the role of Europe’s transnational institutions.<sup>182</sup>

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<sup>181</sup> Gunter Burhardt, “A Chance to Rebuild the Transatlantic Partnership”, *European Institute*, Fall 2004, available online at: [http://www.europeanaffairs.org/current\\_issue/2004\\_fall/2004\\_fall\\_30.php4](http://www.europeanaffairs.org/current_issue/2004_fall/2004_fall_30.php4). Accessed 11 Apr. 2005.

<sup>182</sup> Betsy L. Anderson, “The U.S. international strategy and the transatlantic link”, remarks delivered at University of Gotland on the occasion of the Seminar on European and International Security, September 2004.

The bottom line is European integration was a great victory for both sides of the Atlantic. Overall, it was a positive-sum game because pursuing one goal, security, helped achieve the other, economic growth, and conversely the new objectives and institutions of the economy were instruments for security policy.

The common goal today is an effective and balanced partnership. Despite the differing approaches of the British, French and German governments, most European leaders have a similar strategic objective: to keep the U.S. within a multilateral framework.<sup>183</sup>

However, as President Bush maintained in his recent European tour, the rifts in the transatlantic alliance over the past two to three years should pertain to the past. In the uncertain world of the 21<sup>st</sup> century, with a huge list of challenges, both sides should realize that none can be successfully tackled alone, and it is desirable to have permanent allies.

The divide between Europe and the U.S. did not arise because of poor atmospherics or miscommunication. It arose because each side has taken actions the other strongly opposes, or declined to join in actions the other strongly favors. Moreover, these disputes have become self-perpetuating. American policies spark hostility among Europeans, or vice versa. That hostility, in turn, convinces leaders on both sides that they have no choice but to go it alone.<sup>184</sup> This is a vicious cycle that benefits no one and must be brought to an end.

Europe needs America. American power applied for principled ends helped make possible the creation and expansion of the EU and the model of peaceful integration among democracies that it represents. Today, Europe has at least as great an interest in seeing such a model take root in the greater Middle

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<sup>183</sup> Charles Grant, "Transatlantic rift: How to bring the two sides together", Centre for European Reform, London, July 2003, Available online at: [http://www.cer.org.uk/pdf/p467\\_transatlantic\\_rift\\_cg.pdf](http://www.cer.org.uk/pdf/p467_transatlantic_rift_cg.pdf). Accessed 10 March, 2005.

<sup>184</sup> Phillip Gordon & Charles Grant, "A Concrete Strategy for Mending Fences", International Herald Tribune, February 2005, available online at: [http://www.cer.org.uk/articles/grant\\_gordon\\_iht\\_17feb05.html](http://www.cer.org.uk/articles/grant_gordon_iht_17feb05.html). Accessed 29 April 2005.

East, through the defeat of terror, a stable Iraq, control of dangerous weapons, an end to the Israeli-Palestinian conflict, and the rise of open societies across the region.<sup>185</sup> Without the United States, none of these goals can be achieved, nor can any other great global endeavor in which Europe believes in, from the fight against poverty and disease to the protection of the environment.

America also needs Europe. Without the aid of its allies, Americans will alone pay the costs, in lives and treasure, of maintaining global stability. Without the support of other leading democracies, America will be a less effective champion of democracy in the Middle East and elsewhere in the world. Its policies will lack the measure of legitimacy that comes from a transatlantic consensus. Its initiatives will be increasingly resented and resisted. Its battle for hearts and minds in the Muslim world will likely be lost.

There can only be joint transatlantic answers to these huge security challenges. Only on the basis of a common international agenda and joint action can the stronger Europe and the U.S. as a global power effectively exploit their potential as zones of stability at home and as exporters of stability to the rest of the world. Together, Europe and the U.S. have an enormous weight in the world, they earn two-thirds of the global GDP and through their weight, they can decisively influence the political agenda.

## **B. THE FUTURE OF ESDP**

On the ESDP, there are cautious grounds for optimism. Skeptics consider that a common Security and Foreign Policy will be difficult in Europe for many years to come, for essentially four reasons.<sup>186</sup>

First, European countries diverge in their preferences on goals and means in foreign policy. As presented in Figure 9, opinion polls show that about 78

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<sup>185</sup> "A Compact between the United States and Europe", February 2005, available online at: [http://www.cer.org.uk/pdf/us\\_europe\\_compact\\_feb16\\_05.pdf](http://www.cer.org.uk/pdf/us_europe_compact_feb16_05.pdf). Accessed 27 April 2005.

<sup>186</sup> Alberto Alesina & Roberto Perotti, "The European Union: A Politically Incorrect View", *Journal of Economic Perspectives*, No 4, Vol. 18, Fall 2004.

percent of European citizens feel that the EU should be more involved in foreign policy. Yet, these polls do not make it clear which foreign policy the citizens of different countries favor.

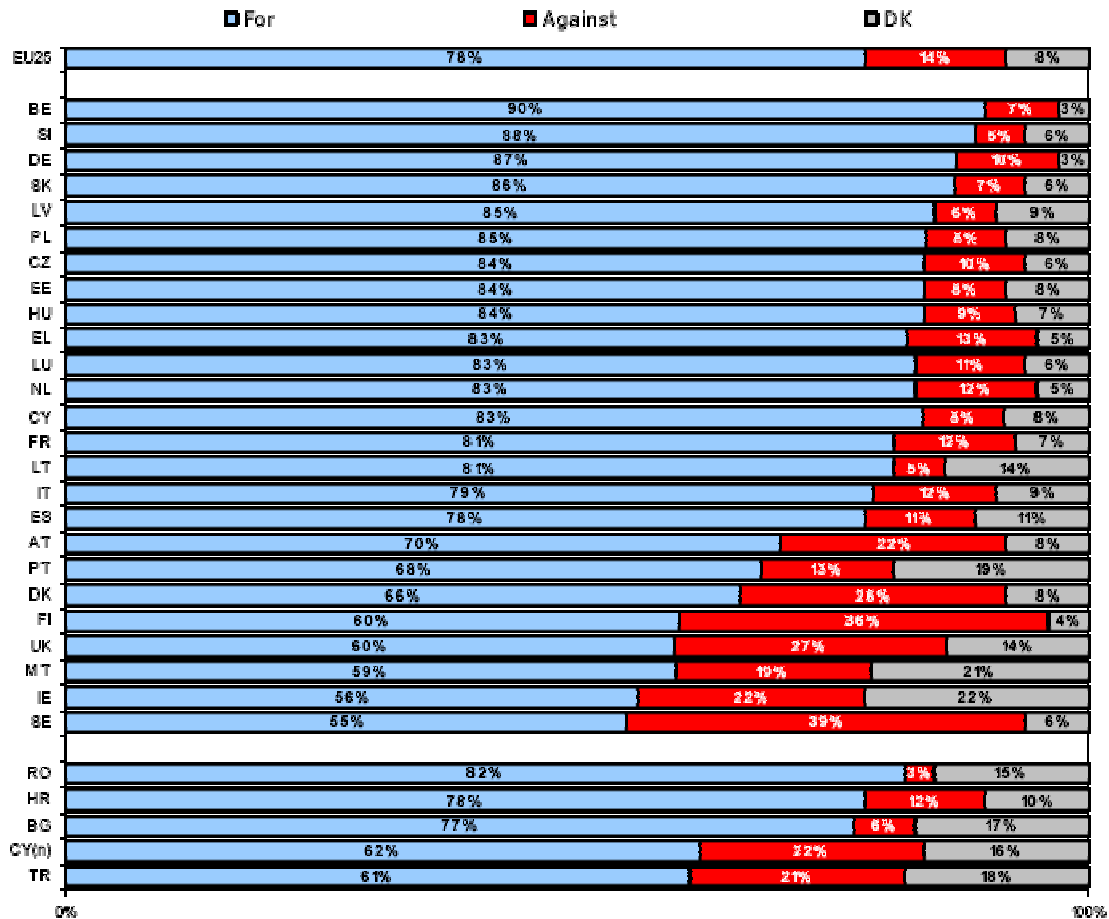


Figure 9. Support to a common defense and security policy in the EU.<sup>187</sup>

<sup>187</sup> From: "Eurobarometer 62 Public Opinion in the European Union", available online at: [http://europa.eu.int/comm/public\\_opinion/archives/eb/eb62/eb62first\\_en.pdf](http://europa.eu.int/comm/public_opinion/archives/eb/eb62/eb62first_en.pdf). Accessed 23 April 2005.

Second, even if all European countries decided to give up their sovereignty in issues of foreign policy, which is very unlikely, still, different EU institutions would want to have a say. They are entitled to do so under the Constitution.<sup>188</sup>

Progress in the development of foreign and defense policy at the European level was hampered by the turf war between European institutions and the fuzzy allocation of powers between national governments and European institutions. In many key areas such as defense, member states are, at the same time, both willing to co-operate and yet reluctant to transfer further national sovereignty.

The Europeans need to overhaul the institutions of their foreign and defense policy so that the EU becomes a more effective and coherent external actor. Countries outside the EU often found it a nightmare to deal with, because of slow decision-making, the rotating presidency, and the multiplicity of spokesmen on external issues.

Third, European countries are unwilling to spend more on defense. The U.S. defense budget is greater than the combined spending of the next 25 countries. Europe spends about 2 percent of GDP in defense, the United States, about 3.5 percent and growing. Moreover, these numbers underestimate the differences in military capabilities on the two sides of the Atlantic.<sup>189</sup>

Fourth, important EU members have a strong aversion to engaging in military actions that put men and women on the ground. One area in which the U.S. is not as strong is in the size of its ground troops. Thus, it becomes especially difficult for the U.S. to engage an enemy in its own territory.<sup>190</sup> Europe could, in principle, provide help in this dimension, but based on previous

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<sup>188</sup> "Whose Europe? National Models and the Constitution of European Union", European Studies, Oxford, 2003.

<sup>189</sup> Steven Everts, "Unilateral America, Lightweight Europe?: Managing Divergence in Transatlantic Foreign Policy" *Centre for European Reform*, Working Paper, February 2001.

<sup>190</sup> Barry R. Posen, "Command of Commons; The Military Foundation of U.S. Hegemony", *The MIT Press Journals*, 2003.

experiences in Yugoslavia, it is unclear whether European public opinion and European governments would tolerate loss of European lives.

In addition, the result of the large U.S. investment in technology is a great reduction of risk to military personnel. Hence, to achieve the same military objective, EU forces currently face much larger risks than U.S. forces. This reinforces the unwillingness of European countries to put men and women on the ground.<sup>191</sup>

The second Administration of President Bush has to deal the ESDP as it enters its more practical stage. Thus, it will have to decide whether or not it will continue the rather conditional U.S. support so far and encourage a strong more capable EU to take its place in the security and defense arena. To this day, the U.S. calls for greater collective European action, but insists on American approval before any joint European initiative, especially in security matters. American policymakers decry the European culture of dependency on U.S. leadership, while insisting in the same breath that it continue.

Of key importance to the future of European security is not only the further enlargement of NATO and the EU as the main structures of political, military and economic stability in Europe, but also an appropriate rapprochement between them. According to a senior NATO official, the relation between NATO and EU is currently tensed.

Despite that the two organizations are uniquely placed at less than six miles apart to communicate, share ideas and cooperate, there is now a competition for influence between them:

The relationship between the EU and NATO is in flux because both are jockeying for influence on the international stage. [...]

As the EU moves slowly along the road toward doing more defense and security, it is seen as threatening to NATO. NATO knows it is

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<sup>191</sup> Kori Schake, "Constructive Duplication: Reducing EU Reliance on U.S. Military Assets", Centre for European Reform, Working Paper, London 2002, Available online at: [http://www.cer.org.uk/pdf/cerwp12\\_cd.pdf](http://www.cer.org.uk/pdf/cerwp12_cd.pdf). Accessed 11 March 2005.



no longer Washington's first port of call for its military missions. It is becoming a toolbox for the U.S.<sup>192</sup>

The growth of a military role for the EU should not be viewed as a zero-sum game. More of the EU should not mean less for NATO, which for the time being remains the continent's security backbone. Therefore, the author believes there is enough potential to further increase the synergy between NATO and ESDP.

Moreover, analysts agree that NATO is not likely to collapse in the foreseeable future, because it remains vital to the Europeans and useful to the U.S. There is little desire to dismantle what is seen widely as the most successful defense alliance in history.<sup>193</sup>

Britain and other strong U.S. allies in Europe are determined to keep NATO alive. Additionally, Eastern European nations who have joined or hope to join NATO, and are taking an increasingly important role on the continent, are fervent supporters of the U.S. alliance.

Most European nations spend very little on defense. Losing NATO and the U.S. defense umbrella it provides would force them to spend much more if they wanted a credible defense. At the same time, while the U.S. complains about Europe's low defense spending and political indecision, the alliance is useful to Washington, adding to its global authority and providing allied forces and bases.

So far, political statements on both sides of the Atlantic show a tendency to agree on the fact that European allies need to accept greater responsibilities and hence a greater share of burden.

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<sup>192</sup> Judy Dempsey, "For EU and NATO a race for influence", *International Herald Tribune*, Paris, February 2005.

<sup>193</sup> "Analysts: The Iraq Crisis May Damage, but not Destroy NATO" *Associated Press*, available at: <http://www.foxnews.com/story/0,2933,78328,00.html>. Accessed 21 April 2005.

### **C. COLLABORATION ON TERRORISM AND WMD**

Over the past decade, the U.S. has spent \$7 billion on helping post-Soviet countries decommission nuclear weapons and manage nuclear materials. By comparison, the EU countries have spent only \$1 billion.<sup>194</sup>

The Europeans need to show that they take the threats of WMD and their proliferation seriously. Many European governments have an extensive experience in dealing with terrorism and do not underestimate its dangers. Yet they have tended to be nonchalant about the risks of unguarded nuclear materials in Soviet successor countries, as well as the dangers of rogue states acquiring chemical and biological weapons, or ballistic missiles.

European proliferation experts are right to argue that, despite the evident weaknesses of arms-control regimes, some of them are genuinely useful. America's opposition to these regimes sometimes appears to be ideological, opposing any constraint on America's freedom of maneuver. Sometimes it also seems to be the result of corporate lobbying, as when pharmaceutical companies oppose the proposed inspection regime of the Biological Weapons Convention.

Surely it is the time for a grand transatlantic bargain on proliferation. The U.S. should sign up to some of the binding regimes, such as the Biological Weapons Convention, the Comprehensive Test Ban Treaty, and the UN Convention on Small Arms.

In return, the Europeans should agree to champion more effective and tougher action against the threat of proliferation. For example, they could offer more cash for dealing with the problem of Russia's nuclear weapons facilities; they could support harder sanctions against countries that proliferate; and, when there is a convincing case for preemptive action, they could join the U.S. in military missions to destroy WMD that threaten the peace.

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<sup>194</sup> Charles Grant, "Transatlantic rift: How to bring the two sides together", *Centre for European Reform*, London, July 2003, Available online at: <http://www.cer.org.uk/publications/467.html>. Accessed 10 March, 2005.

## **D. POLICY RECOMMENDATIONS**

The U.S. National Security Strategy statement that the U.S. might need to take preemptive action against a serious threat to its security was not in itself new or shocking. In fact, any government would want to reserve that right.

Yet the Bush doctrine of preemption raises obvious questions for global governance, such as who judges what is a serious threat, and whether some countries may be tempted to use the doctrine as an excuse to launch wars of their own. The document's failure to address such questions, combined with the scarcity of references to NATO, EU, and coalition warfare has agitated the spirits in Europe.

The U.S. must be aware that there is a price to be paid for acting unilaterally and make an effort to act within the framework of international organizations and agreements. As Harvard's Joseph Nye has observed, "the more the U.S. behaves in a unilateral manner, the more its soft power is liable to diminish."<sup>195</sup> The consequence is likely to be an increase in anti-American sentiment in other countries, greater difficulty in putting together international coalitions, and a higher chance of blockage of U.S. objectives by other governments in the international forum.

Furthermore, the U.S. should remember that the style of its diplomacy affects outcomes. One example is the divide-and-conquer tactic by the Secretary of Defense Donald Rumsfeld to divide the "new" Europe of former Soviet satellites from the "old" Europe of major states during the transatlantic dispute over Iraq.<sup>196</sup> Not only did it not work, it rather increased the anti-American feelings. It is clear that the new EU nations today look more closely to Brussels rather than to Washington.

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<sup>195</sup> Charles Grant, "Transatlantic rift: How to bring the two sides together", Centre for European Reform, London, July 2003, Available online at: <http://www.weltpolitik.net/Sachgebiete/Internationale%20Sicherheitspolitik/GASP/Analysen/%22Security%20Challenges%20in%20Transatlantic%20Relations.%22.html>. Accessed 10 March, 2005.

<sup>196</sup> "Rumsfeld Seeks to isolate 'old Europe' opponents", Timesonline January 2003, available online at: <http://www.timesonline.co.uk/article/0,,3-553261,00.html>. Accessed 29 April 2005.

The U.S. should continue to make every effort to keep a broad international coalition in the postwar Iraq. Otherwise, the impact of the unilateralist U.S. war could be to divide the EU governments, diminish British influence in the EU, weaken the EU's common foreign and security policy, and undermine the authority of the UN. Ultimately, the consequences of such policy could prove dangerous by hunting back the U.S. interests.

Moreover, the U.S. should avoid using double standards and try to appear even-handed on the Middle East policy. This could have a huge impact on America's prestige and reputation, not only in Arab lands, but also all over the world.

After military victory in Iraq, it will be much easier for the U.S. to build a credible future coalition if, at the same time, it makes a priority of advancing the Israel-Palestine peace process. The U.S. could still be the leading external party in the peace process, but it could achieve more by working with the EU.

Americans need to remember that they cannot accomplish many of their global objectives such as tackling terrorism, proliferation and the drugs trade, or dealing with Arab state failure or integrating Russia and China into the world system, without allies. The European countries, for all their evident flaws, not only have considerable international clout but also are the most like-minded countries that the U.S. is going to be able to work with. It is in the interests of both that the transatlantic bond should remain the closest between any two continents.

For their part, European leaders should understand that if they want to encourage the U.S. to act multilaterally, they must work with the U.S. and be prepared to back the use of force as an option in hard cases. If Europe can become a more useful partner, the U.S. will have stronger incentives to work with it.

Nevertheless, the European governments need to continue enhancing their military capabilities. They need to spend their money more efficiently on

capabilities such as communications, precision-guided munitions, airlift, tanker aircraft, unmanned aerial vehicles, and the suppression of enemy air defenses. Also, they need more troops able to engage in high-intensity warfare outside Europe.

By the same token, the EU leaders should continue to encourage new members to develop their niche capabilities and expand the use of pooled capabilities. In areas such as air transport, maintenance of fighter aircraft, medical facilities, and the delivery of supplies, much money could be saved through the creation of pooled operations. In this respect, the cooperative examples of NATO's existing AWACS and future airborne ground surveillance fleets should be more widely followed.

The expectation is that commitments agreed upon at the NATO summits in Prague and recently in Istanbul will be successfully implemented. Where the EU has failed to make an impact, NATO may succeed.

The specific capability goals approved by heads of government are more realistic and replace the 58 goals of the earlier Defense Capabilities Initiative (DCI), which were too many to be taken seriously and thus, failed due to lack of commitment. Hopefully, the new NATO Reaction Force, which is designed to fight alongside American elite forces in dangerous situations, will spur the Europeans to enhance the quality of their own cutting-edge troops and speed up sluggish military reforms.

Not only do Europeans need to spend their defense budgets more wisely, but they also need to spend more. Bigger budgets produce better capabilities. If all EU countries would aspire to spend at least 2.5 percent of GDP on defense (the British and French levels) this would be a significant contribution to the goal of closing the capabilities gap. They should also agree to spend 20 percent of their defense budgets on procurement and R&D.

Evidently, such additional resources for security investments can only come from a strong well-functioning economy. In this respect, despite the recent economic recovery, there are still challenges to be met in at least two aspects.

First, the implications of the single currency should not be over-estimated. The euro has sometimes been portrayed as a miracle cure of Europe's illnesses and as a definitive recipe for growth. When, in fact, the real benefits that it delivers are no alternative whatsoever to the necessary focus on innovation, education, or labor and goods market reform, in the environment of unabated technological progress envisioned by the Lisbon process. The biggest European challenge is to go beyond pompous verbosity and make things happen.

Second, there is a distinct possibility that economic growth in Europe could slow down prematurely, due to a failure of its policymaking system to deliver the necessary balance between macroeconomic and structural policies, or between fiscal and monetary policy. Although significant progress has already been achieved in the EU economic development, with agreements on the objective of price stability, a framework for fiscal discipline, and the Lisbon medium-term strategy for economic reform, there is still a long way to go, especially in the context of new and further European enlargement processes.

Moreover, the EU should learn to use policies on trade and aid to support its political objectives. The EU should link the granting of trade privileges and financial assistance to clear commitments from recipient countries to promote political and economic reform.

Often, the EU's ties to less-developed countries are governed by trade and cooperation, association, or other sorts of agreements. These usually contain clauses with respect to human rights, political pluralism, and standards of good governance. Armed with these clauses, the EU should be able to wield considerable influence.

The EU should be bolder in linking non-compliance with human rights clauses to concrete actions, such as the postponement of new projects, the

suspension of high-level contacts, or the use of different channels of delivery (such as independent NGOs, rather than government-run bodies). Hitherto the EU has imposed sanctions only on the most egregious offenders, such as Zimbabwe and Belarus.<sup>197</sup> It needs to become more confident about linking the economic and diplomatic sides of its foreign policy. The result would be a more influential EU, and thus a more useful partner for the U.S.

For all the above considerations, the transatlantic relationship remains irreplaceable. Acting together, the EU and the U.S. can be a formidable force for peace and positive development in the world. Hence, it shouldn't be too naïvely optimistic to expect that a little common understanding could still go a long way.

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<sup>197</sup> Charles Grant, "Security Challenges in Transatlantic Relations.", *Transatlantic Internationale Politik*, 2/2003, available online at: <http://www.weltpolitik.net/Sachgebiete/Internationale%20Sicherheitspolitik/GASP/Analysen/%22Security%20Challenges%20in%20Transatlantic%20Relations.%22.html>. Accessed 20 April 2005.

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